

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE PETITION OF )  
VERIZON NORTHWEST, INC., ) DOCKET NO. UT 011439  
FOR WAVER OF )  
WAC 480-120-071 (2)(a) )  
\_\_\_\_\_ )**

**DIRECT AND RESPONSE TESTIMONY OF**

**THERESA A. JENSEN**

**ON BEHALF OF**

**QWEST CORPORATION**

**JULY 5, 2002**

**I. IDENTIFICATION OF WITNESS**

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**Q. PLEASE STATE YOUR NAME, EMPLOYER AND BUSINESS ADDRESS.**

A. My name is Theresa A. Jensen. I am employed by Qwest Corporation, as a Director in the Policy and Law Organization. My business address is 1600 7<sup>th</sup> Ave., Room 3206, Seattle, Washington 98191.

**Q. WHAT IS YOUR CURRENT ASSIGNMENT?**

A. I am the Director of Washington State Regulatory Affairs. In my current assignment, I am responsible for all regulatory issues, including, rulemakings, service quality, product and service offerings, depreciation, petitions for competitive classifications and the Washington financial results of operation.

**Q. BRIEFLY OUTLINE YOUR EMPLOYMENT BACKGROUND.**

A. I have been employed by U S WEST or its predecessors since 1972 and in my current assignment since 1991. I began my career in telecommunications in 1972 as a directory assistance operator. I also worked as a customer service representative for about six years. I then spent several years in Marketing holding various job responsibilities, including, market administrator, account executive, sales manager, instructor, market manager, data systems manager and product manager. From 1987 until 1991, I worked in Strategic Planning and was responsible for developing and implementing U S WEST's Open Network Architecture Plan.

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**II. PURPOSE OF DIRECT TESTIMONY**

**Q. PLEASE DESCRIBE THE PURPOSE OF YOUR DIRECT AND RESPONSE TESTIMONY.**

A. I will address the policy related issues raised by the Washington Utilities and Transportation Commission ("the Commission") Order to include Qwest in this proceeding as well as the issue raised by Verizon in its application for a line extension waiver. My testimony will demonstrate why it would be inappropriate for the Commission to redraw Qwest's exchange boundary over Qwest's objection.

**Q. IS QWEST AWARE OF ANY CLAIMED FACTS ON WHICH ANYONE WOULD JUSTIFY REDRAWING QWEST'S EXCHANGE BOUNDARY TO INCLUDE TIMM RANCH OR ANY COSTS WHICH SHOULD BE ALLOCATED OR BASIS OF ALLOCATION?**

A. Qwest is not aware of any claimed costs to be allocated or alleged basis of allocation of such costs and can only discern that the Commission based its decision to join Qwest as a party to this proceeding based on the following three alleged facts:

- Qwest bears a common exchange boundary with Verizon near the Timm Ranch,
- Qwest facilities are closer to the Timm Ranch than Verizon's, and

1           • Qwest's costs to extend service to the Timm Ranch would be less than  
2           Verizon's.

3

4   **Q.   DOES QWEST BEAR A COMMON EXCHANGE BOUNDARY WITH**  
5   **VERIZON NEAR THE TIMM RANCH?**

6   A.   No. Qwest does bear a common exchange boundary with Verizon, however, Mr.  
7   Hubbard testifies that the exchange boundary is more than three miles from the  
8   premises located at the Timm Ranch. Mr. Hubbard testifies that the Nelson  
9   residence (on the Timm Ranch) is 16,000 feet from the Qwest/Verizon exchange  
10   boundary. Mr. Hubbard also testifies that Qwest would actually be required to  
11   extend 47,500 feet of cable to extend service into the Verizon territory to the  
12   Nelson premises. He also testifies that another 78,900 feet of cable within  
13   Qwest's serving area would require reinforcement to provision service to Mr.  
14   Nelson.

15

16   **Q.   ARE QWEST FACILITIES CLOSER TO THE TIMM RANCH**  
17   **OCCUPANTS THAN VERIZON'S FACILITIES?**

18   A.   Qwest has some facilities which are physically closer to the Timm Ranch  
19   occupants than those identified in the Verizon testimony, but they are unusable  
20   for extending service to the Timm Ranch occupants, as Mr. Hubbard testifies.  
21   Therefore, Qwest does not have any available facilities that are closer to the  
22   Timm Ranch than Verizon's. Verizon stated that it would have to construct

1 "approximately 30 miles of fiber cable from Verizon's Brewster exchange."<sup>1</sup> Mr.  
2 Hubbard's testimony explains that Qwest would need to place almost 33 miles of  
3 cable to provide service to all occupants located on the Timm Ranch. Thus  
4 Qwest's available facilities are not closer to the Timm Ranch occupants than  
5 Verizon's facilities.

6

7 **Q. ARE QWEST'S COSTS TO EXTEND SERVICE TO THE TIMM RANCH**  
8 **LESS THAN VERIZON'S COSTS?**

9 A. No. Verizon estimates its cost to construct facilities to the Nelson premises and  
10 four other premises at \$881,497.<sup>2</sup> The Verizon estimate is based on deployment  
11 of copper and fiber optic cables.<sup>3</sup> If Qwest were to construct facilities to the  
12 Nelson premises utilizing the same technological approach as Verizon, Mr.  
13 Hubbard estimates Qwest's cost at \$1,184,071.

14

15 However, if Qwest is ordered to serve this area, Mr. Hubbard testifies that Qwest  
16 would not construct fiber facilities. Instead, Qwest would construct a copper  
17 based digital carrier system extension which he estimates would cost \$811,920.  
18 Mr. Hubbard has not received information on the geographic locations of the  
19 other four premises included in the Verizon estimate in order to calculate the  
20 additional cost to serve these premises. Therefore, he has simply used the  
21 incremental cost estimated by Verizon to serve these customers in addition to Ike  
22 Nelson in each of his estimates of cost. Qwest does not know the specific

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<sup>1</sup> See February 20, 2002 Verizon Amended Petition For Waiver at page 3, lines 22-26.

<sup>2</sup> *Id.* at page 4, lines 1-6.

1 location of the future customer who plans to locate his premises approximately  
2 twenty miles from Ike Nelson's premises either.<sup>4</sup>

3

4 **Q. HAS THE COMMISSION STAFF EVER REQUESTED AN ESTIMATE**  
5 **OF COST FROM QWEST TO SERVE THE NELSON PREMISES?**

6 A. Not until serving its data requests on June 28, 2002. At the January 9, 2002  
7 Commission Open Meeting, I advised the Commission that Qwest had never been  
8 asked to furnish an estimate of cost to serve the Nelson premises. At that time, I  
9 advised the Commission that Mr. Nelson, although an employee of Qwest, was  
10 not an authorized representative of the company to provide any information on the  
11 location of Qwest facilities or the cost to construct facilities.<sup>5</sup> I also stated Qwest  
12 would be glad to provide such information if a request were made. No request for  
13 such information was ever made through the proper company contacts until the  
14 data requests referred to above.

15

16 **Q. DO YOU BELIEVE THE COMMISSION SHOULD ALTER THE QWEST**  
17 **OMAK EXCHANGE BOUNDARY?**

18 A. Absolutely not. A decision to alter the Qwest exchange boundary is not in the  
19 public interest. Furthermore, Verizon never asked the Commission to alter its  
20 Bridgeport exchange boundary or the Qwest Omak exchange boundary. Verizon

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<sup>3</sup> *Id.* at page 4, lines 21-25 and page 5, lines 1-2.

<sup>4</sup> Nelson Deposition at page 10, lines 16-20.

<sup>5</sup> Mr. Nelson also acknowledges that he is not authorized to speak on behalf of Qwest. Nelson Deposition at page 32, lines 9-12.

1 simply asked the Commission to waive its obligation under WAC 480-120-  
2 071(2)(a).

3

4 **Q. IS IT NOT IN THE PUBLIC INTEREST TO CHANGE THE OMAK**  
5 **EXCHANGE BOUNDARY IN THIS CASE?**

6 A. It is not in the public interest for the Commission to order a change to Qwest's  
7 exchange boundary based on the facts in this case. If the Commission did so, it  
8 would have the effect of making all existing incumbent telecommunications  
9 company exchange boundaries meaningless with respect to how each company  
10 designs its network. In addition, it would likely stimulate requests for boundary  
11 changes based on no more than a customer's desire for a different company's rate  
12 plan. It would also render meaningless the ETC designation in so far as that  
13 obligation carries with it an obligation to serve.

14

15 As Mr. Hubbard explains, the network is currently designed by each company  
16 based on its defined service area. In most cases, the boundaries have been in  
17 place since prior to 1920. If the Commission ordered a change to Qwest's  
18 boundary based on the Staff's apparent reasoning in this case, it would greatly  
19 affect the company's ability to plan for future network demands, which would  
20 have the effect of restricting the company's control over its costs and impairing its  
21 ability to efficiently conduct its business. Each compelled exchange boundary  
22 change becomes the potential reason for yet a further change in response to future  
23 customers locating ever more remotely from Qwest's central office. Thus, the

1 term "boundary" becomes virtually meaningless. Further, the Commission should  
2 keep in mind that Qwest is not an ETC in the Timm Ranch area or the Omak  
3 exchange and has not voluntarily undertaken to offer service to the Timm Ranch  
4 area.

5  
6 Finally, a decision to compel Qwest to serve the Timm Ranch area, when other  
7 companies have been designated as ETCs in this area and Qwest has not, is at  
8 odds with the public interest. Such a decision would encourage companies,  
9 knowing that they can potentially obtain high cost support funding without being  
10 required to meet the corresponding obligation to serve,<sup>6</sup> to apply for ETC  
11 designation. This will drain public dollars without delivering the intended benefit  
12 of encouraging meaningful competition and offering consumers meaningful  
13 alternatives.

14  
15 **Q. IS IT LIKELY THAT OTHER TELECOMMUNICATIONS CARRIERS**  
16 **MAY DESIRE TO PARTICIPATE IN THE CREATION OF A RECORD**  
17 **THAT MAY SUPPORT A DECISION BY THE COMMISSION RELATED**  
18 **TO THE PROVISION OF TELEPHONE SERVICE TO REMOTE AREAS**  
19 **OF WASHINGTON THAT INCLUDES A DETERMINATION THAT AN**  
20 **INCUMBENT'S EXCHANGE BOUNDARY BE ALTERED TO**  
21 **FACILITATE THAT SERVICE?**

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<sup>6</sup> See below where I discuss more specifically an ETC's obligation to serve.



1 A. Yes. It is highly probable that all local exchange telecommunications providers  
2 would choose to participate in the creation of a record that may support or not  
3 support a Commission decision to prescribe an exchange area boundary, including  
4 redefining existing exchange boundaries, based as Qwest must assume in this case  
5 solely on the relative cost to extend service to unserved potential customers.  
6

7 **Q. WHY WOULD ALL LOCAL EXCHANGE TELECOMMUNICATIONS**  
8 **PROVIDERS BE INTERESTED IN SUCH A PROCEEDING?**

9 A. I believe all providers would be interested, incumbent providers as well as new  
10 providers, since the Commission could be establishing a precedent for modifying  
11 existing exchange boundaries. There are no standards in RCW 80.36.230 for the  
12 exercise of the power to prescribe exchange boundaries. New providers would be  
13 concerned since such a decision would obligate a telecommunications provider to  
14 serve an exchange area it did not choose to serve when it registered to provide  
15 service in the State of Washington. Incumbent providers and ETCs would be  
16 concerned since they may have potential customers within their filed exchange  
17 boundaries and designated service areas that would be costly to serve and may  
18 choose to pursue a similar decision from the commission to export the burden to  
19 another company through litigation in lieu of serving such customers. Incumbent  
20 providers and ETCs would also be concerned if their existing serving areas were  
21 redefined by the Commission to include areas they previously did not serve nor  
22 would they choose to serve. All providers would suddenly be exposed to

1 undefined "carrier of last resort" obligations that they were unaware of when they  
2 chose to offer telecommunications services in the state of Washington.

3

4 **Q. IS IT COMMON FOR THE EXPENSE TO SERVE AN UNSERVED**  
5 **CUSTOMER TO BE GREATER FOR THE COMPANY IN WHOSE**  
6 **FILED EXCHANGE AREA THE CUSTOMER RESIDES, THAN IT**  
7 **WOULD BE FOR A NEIGHBORING COMPANY?**

8 **A.** Yes. While I have no specific data, given the likely increase in population since  
9 1927 in rural areas, I believe that it is not uncommon.<sup>7</sup> It is highly probable there  
10 are other instances where the cost to serve a customer may be less for a  
11 neighboring company than the cost to the company in whose filed exchange area  
12 the customer resides.

13

14 **Q. DO CUSTOMERS EVER REQUEST LOCAL EXCHANGE SERVICE**  
15 **FROM A NEIGHBORING COMPANY THAT DOES NOT HOLD ITSELF**  
16 **OUT TO OFFER SERVICE IN THE CUSTOMER'S EXCHANGE AREA?**

17 **A.** Yes. They typically do so when they favor the local calling area of one provider  
18 over that of their local provider. However, the local calling area preferred by the  
19 customer is not the same for each customer within a given service area. That is  
20 why companies frequently offer services that enable customers to select calling

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<sup>7</sup> In 1927, the Commission ordered Telephone and telegraph Utilities to file tariffs that included exchange area maps. I also understand that in 1914, Pacific Bell Telephone, and its subsidiary, the Sunset Telephone and Telegraph Company, filed a complete inventory of their physical property as ordered by the Washington Commission.

1 area plans based on their needs and preferences, such as foreign exchange service,  
2 and toll plans.

3

4 **Q. ACCORDING TO THE STAFF, ONE REASON FOR ADOPTING WAC**  
5 **480-120-071 WAS TO DIMINISH THE DRAIN ON STAFF TIME AND**  
6 **RESOURCES FROM CUSTOMERS SEEKING LINE EXTENSIONS AND**  
7 **OBJECTING TO THE PREVIOUS LINE EXTENSION TARIFFS. DOES**  
8 **THE STAFF'S POSITION IN THIS CASE HAVE ANY IMPACT ON THE**  
9 **LIKELIHOOD THAT REQUESTS FOR LINE EXTENSIONS UNDER**  
10 **THE RULE WILL RESULT IN INCREASED LITIGATION?**

11 A. As previously stated, a decision by this Commission to change an existing  
12 exchange boundary over the objection of the affected company will invariably  
13 increase the number of waiver requests filed by other operating companies. In  
14 addition, customers are likely to file complaints requesting exchange boundary  
15 changes based on their individual community-of-interest concerns and other  
16 customer specific interests.

17

18 **Q. DOES QWEST OBJECT TO HAVING ITS EXCHANGE BOUNDARY**  
19 **CHANGED TO INCLUDE THE AREA OF THE OCCUPANTS OF THE**  
20 **TIMM RANCH?**

21 A. Yes. Qwest has chosen as a matter of business judgment not to extend its  
22 facilities across the existing exchange boundary, when there are two ETCs that  
23 have been designated by the Commission to serve this area. Qwest also chose not

1 to apply for an ETC designation in the Omak exchange and welcomes RCC  
2 Minnesota's decision to serve this area. Qwest has limited resources and must  
3 carefully select how it utilizes those resources to meet its existing obligations or  
4 stated plans within its service territory.

5  
6 **Q. HAS QWEST EVER HELD ITSELF OUT TO THE PUBLIC TO SERVE**  
7 **THE AREA OF THE TIMM RANCH OCCUPANTS?**

8 A. No.

9  
10 **Q. HAS QWEST RECEIVED A REQUEST TO SERVE ANY CUSTOMERS**  
11 **IN THE AREA OF THE TIMM RANCH?**

12 A. No. Mr. Shirley suggests Mr. Nelson made an attempt to obtain service from  
13 Qwest, however, Mr. Nelson knows that Qwest does not provide service in the  
14 Bridgeport exchange; therefore he never requested service from Qwest.<sup>8</sup>

15  
16 **Q. ARE THERE OTHER CUSTOMERS IN THIS AREA THAT MAY**  
17 **REQUEST TELECOMMUNICATIONS SERVICE IN THE FUTURE?**

18 A. Mr. Nelson is aware of several residents in the area at issue in this case. In his  
19 deposition he identifies the following residents within three miles of his  
20 premises<sup>9</sup>:

- 21 - Brad and Margaret Derting, a mile and one-half south of his address,  
22 - Pete and Billie Timm, two miles south of his address,

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<sup>8</sup> Testimony of Robert B. Shirley (RBS-4T) at page 5, lines 1-7.

<sup>9</sup> Nelson Deposition at pages 6-7.

- 1 - Darrell Shannon, between the Derting's and Timm's address, and  
2 - Bob and Nita Timm, about three miles from his address.

3 Mr. Nelson also discusses a future resident about twenty miles from the ranch that  
4 is likely to locate his family in this area within the next year.<sup>10</sup> Verizon states it  
5 has now received requests from four additional applicants.<sup>11</sup>

6

7 **Q. WILL SERVING THE OCCUPANTS OF THE TIMM RANCH BE**  
8 **PROFITABLE FOR QWEST IF IT IS COMPELLED TO EXTEND ITS**  
9 **FACILITIES TO THOSE OCCUPANTS?**

10 A. No it will not.

11 **Q. IS THIS TRUE EVEN IF THE COMMISSION WERE TO GRANT**  
12 **QWEST THE OPPORTUNITY TO RECOVER ALL OF THE COST OF**  
13 **EXTENDING FACILITIES TO SERVE THE OCCUPANTS OF THE**  
14 **TIMM RANCH, INCLUDING REINFORCEMENT COSTS, AS**  
15 **PROVIDED FOR IN WAC 480-120-071?**

16 A. Yes. WAC 480-120-071 only addresses the initial costs of construction. It does  
17 not address ongoing maintenance costs. As Verizon articulates in their petition  
18 and testimony, this is a very costly area to maintain service.<sup>12</sup> Mr. Nelson also  
19 testified in his deposition that the county comes out and grades the roads "about  
20 twice a year" and that usually their road is one of the "last roads they plow  
21 because they know we have a grader out there also, and if they get where there is

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<sup>10</sup> *Id.* at page 10, lines 16-20.

<sup>11</sup> See Kay Ruosch Testimony (KR-1T) at page 4, lines 6-10.

<sup>12</sup> See February 20, 2002 Verizon Amended Petition For Waiver at page 5, lines 12-25 and page 6, lines 1-2. Also see Kay Ruosch Testimony (KR-1T) at page 13, lines 17-23 and page 14, lines 1-23.

1 a lot of work or something, we will go ahead and plow out if there is not much  
2 snow."<sup>13</sup> Furthermore, in response to WUTC Staff Data Request No. 41, Verizon  
3 attaches a letter from Okanogan County that states the "County plows only 5  
4 miles on OCR 3211 Timm Road" and another "2.12 miles" on other roads.<sup>14</sup> Also  
5 Mr. Shirley's testimony does not even clearly support allowing Qwest to recover  
6 all of the reinforcement costs that would be created by this extension.

7

8 **Q. ARE THERE OTHER POSSIBLE SOURCES OF TELEPHONE SERVICE**  
9 **TO THE OCCUPANTS OF THE TIMM RANCH?**

10 A. Yes. Mr. Nelson testified that he and most of the other residents have cellular  
11 service from Verizon at this time. He also testified that he had a radio system set  
12 up that was less reliable.<sup>15</sup> Verizon also provides testimony of satellite phone  
13 systems available in the area.<sup>16</sup> RCC Minnesota has stated in its petition for  
14 designation as an ETC that it provides cellular service throughout the Bridgeport  
15 exchange.

16

17 **Q. HAVE ANY TELECOMMUNICATIONS PROVIDERS REQUESTED AND**  
18 **RECEIVED DESIGNATION AS THE ELIGIBLE TELECOMMUNI-**  
19 **CATIONS CARRIER ("ETC") FOR THE BRIDGEPORT EXCHANGE?**

20 A. Yes. Verizon applied for ETC designation on October 17, 1997 and was  
21 designated by the Commission as an eligible telecommunications carrier (ETC)

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<sup>13</sup> Nelson Deposition at page 8, lines 9-14.

<sup>14</sup> See Exhibit 1.

<sup>15</sup> Nelson Deposition at page 23, lines 8-9, page 24, lines 24, page 25, lines 1-6 and page 30, lines 15-20.

<sup>16</sup> See Kay Ruosch Testimony (KR-1T) at page 12, lines 4-16.

1 in this area on December 23, 1997. On June 14, 2002, RCC Minnesota, Inc. d/b/a  
2 Cellular One was also approved as an ETC for the Bridgeport and Omak  
3 exchanges. RCC Minnesota petitioned for designation as an ETC on June 3,  
4 2002.

5  
6 **Q. WHEN A COMPANY PETITIONS FOR AN ELIGIBLE**  
7 **TELECOMMUNICATIONS CARRIER DESIGNATION UNDER THE**  
8 **FEDERAL TELECOMMUNICATIONS ACT, WHAT DOES THE**  
9 **COMMISSION SAY THE COMPANY'S OBLIGATION IS?**

10 A. The Commission states the Company's obligation is to 1) offer the services that  
11 are supported by federal universal service support mechanisms under sections  
12 254(c), either using its own facilities or a combination of its own facilities and  
13 resale of another carrier's services *throughout* the service area for which the  
14 designation is received; and 2) advertise the availability of such services and the  
15 charges therefor using media of general distribution.<sup>17</sup>

16  
17 **Q. WHEN VERIZON APPLIED FOR ETC DESIGNATION DID IT AGREE**  
18 **TO SERVE THE APPLICANTS FOR SERVICE IN THE BRIDGEPORT**  
19 **EXCHANGE?**

20 A. Yes. In Docket No. UT-970348, GTE Northwest, Incorporated, now Verizon,  
21 agreed to serve all applicants for service in the Bridgeport exchange.<sup>18</sup>

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<sup>17</sup> Docket Nos. UT-970333-54, 56 at page 6.

<sup>18</sup> Docket No. UT-970348.

1 **Q. WHEN CELLULAR ONE APPLIED FOR ETC DESIGNATION DID IT**  
2 **AGREE TO SERVE THE APPLICANTS FOR SERVICE IN THE**  
3 **BRIDGEPORT AND OMAK EXCHANGES?**

4 A. Yes. In Docket No. UT-023033, Cellular One agreed to serve all applicants for  
5 service in the Bridgeport and Omak exchanges.<sup>19</sup>

6

7 **Q. DID THE FCC PROVIDE GUIDANCE TO THE STATES CONCERNING**  
8 **THE DESIGNATION OF WIRELESS CARRIERS AS ELIGIBLE**  
9 **TELECOMMUNICATIONS CARRIERS?**

10 A. Yes. The FCC concluded wireless carriers are eligible to be designated as ETCs  
11 provided they have the ability to serve *all* potential customers in a service area,  
12 which they may accomplish through combining their services with land line  
13 services of another carrier.<sup>20</sup> The Commission staff acknowledged this FCC  
14 requirement of wireless carriers in Docket Nos. UT-970333-54, 56.<sup>21</sup>

15

16 **Q. HAS THE COMMISSION EVER ORDERED ELIGIBLE**  
17 **TELECOMMUNICATIONS COMPANIES TO PROVIDE SERVICE TO**  
18 **ALL CUSTOMERS WITHIN THEIR ETC DESIGNATED SERVICE**  
19 **AREA?**

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<sup>19</sup> Docket No. UT-023033 at page 6, ¶12.

<sup>20</sup> FCC Universal Service Order ¶141, 145.

<sup>21</sup> See page 13.



1 A. Yes. In the Order Designating Eligible Telecommunications Carriers, the  
2 Commission stated that it would "insist that all companies provide quality service  
3 to *all* customers within the designated service area for that company."<sup>22</sup>  
4

5 **Q. ARE YOU AWARE OF ANY PROCEEDING BY THE WUTC TO**  
6 **REMOVE VERIZON'S DESIGNATION AS AN ELIGIBLE**  
7 **TELECOMMUNICATIONS CARRIER FOR THE AREA WHICH**  
8 **INCLUDES THE TIMM RANCH?**

9 A. No.  
10

11 **Q. IS QWEST AN ELIGIBLE TELECOMMUNICATIONS CARRIER**  
12 **UNDER THE FEDERAL ACT FOR THE AREA WHICH INCLUDES THE**  
13 **TIMM RANCH?**

14 A. No.  
15

16 **Q. IS THERE ANY EVIDENCE THAT MR. NELSON AND THE OTHER**  
17 **TIMM RANCH OCCUPANTS HAVE REFUSED RCC MINNESOTA'S**  
18 **SERVICE?**

19 A. No there is not.  
20

21 **Q. IS QWEST AN ELIGIBLE TELECOMMUNICATIONS CARRIER**  
22 **UNDER THE FEDERAL ACT IN THE OMAK EXCHANGE?**

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<sup>22</sup> Docket Nos. UT-970333-54, 56 at footnote 11.

1 A. No.

2

3 **Q. DO YOU AGREE WITH VERIZON'S POSITION THAT IT SHOULD**  
4 **RECEIVE A WAIVER BECAUSE THE BENEFITS TO SOCIETY WHICH**  
5 **WOULD BE ACHIEVED BY SPENDING MONEY TO EXTEND**  
6 **SERVICE TO THE OCCUPANTS OF THE TIMM RANCH ARE LESS**  
7 **THAN THE COST?**

8 A. Yes. Verizon has raised an appropriate question. The Commission and all  
9 telecommunications providers must examine the economics behind investment  
10 decisions and the impact on ratepayers. Verizon filed its petition for waiver  
11 because it believes this is a circumstance under which it should receive a waiver  
12 from its obligations under WAC 480-120-071. The Commission has not yet  
13 determined when an applicant is reasonably entitled to service or when a company  
14 should be granted a waiver. Verizon is simply asking the Commission to do so in  
15 this case.<sup>23</sup> A decision in this case that identifies the facts upon which a waiver  
16 should be granted or denied should serve as guidance to other telecommunications  
17 providers that wrestle with this same question and that share Verizon's view that  
18 "It would not be in the public interest to force Verizon and Washington ratepayers  
19 to pay approximately \$1.2 million (plus ongoing high maintenance costs) to  
20 provide service to eight customers."<sup>24</sup>

21

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<sup>23</sup> See February 20, 2002 Verizon Amended Petition For Waiver at page 8, lines 8-11.

<sup>24</sup> See February 20, 2002 Verizon Amended Petition For Waiver at page 6, lines 16-18.

1 **Q. DO YOU BELIEVE THAT THE BENEFITS OF CHANGING QWEST'S**  
2 **EXCHANGE BOUNDARY AND COMPELLING IT TO SERVE THE**  
3 **TIMM RANCH WOULD EXCEED THE COST?**

4 A. No.

5  
6 **Q. ARE YOU AWARE THAT THE STAFF'S MOTION TO JOIN QWEST AS**  
7 **A PARTY STATED THAT THE STAFF MAY RECOMMEND THAT THE**  
8 **COMMISSION CHANGE QWEST'S EXCHANGE BOUNDARY TO**  
9 **INCLUDE THE TIMM RANCH?**

10 A. Yes. However, the testimony of Robert Shirley, Staff, at page 2 stated, "The  
11 purpose of my testimony is to demonstrate that Verizon's petition for a waiver of  
12 its responsibility to construct extensions to the Taylors and others on Hayes Road  
13 in Douglas County, and to the Nelsons and their neighbors on the Timm Ranch in  
14 Okanogan County, should be denied..."

15  
16 **Q. ARE YOU AWARE OF ANY REASON GIVEN BY THE STAFF FOR**  
17 **CHANGING QWEST'S EXCHANGE BOUNDARY TO INCLUDE THE**  
18 **TIMM RANCH OVER QWEST'S OBJECTION?**

19 A. The only response provided by Staff is that the "Commission should consider any  
20 factor it believes will assist it to determine what is in the public interest with  
21 respect to choosing between Qwest and Verizon."<sup>25</sup>

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<sup>25</sup> Testimony of Robert B. Shirley (RBS-4T), page 5, lines 20-22.

1 **Q. WHAT FACTORS DOES STAFF ADVOCATE THE COMMISSION**  
2 **CONSIDER WHEN DETERMINING WHAT IS IN THE PUBLIC**  
3 **INTEREST WITH RESPECT TO CHOOSING BETWEEN QWEST AND**  
4 **VERIZON?**

5 A. The Staff advocates four factors: relative cost, maintenance ability, the applicant's  
6 community of interest and customer choice.<sup>26</sup>

7  
8 **Q. IS QWEST'S MAINTENANCE ABILITY DIFFERENT THAN THAT**  
9 **ARTICULATED BY VERIZON?**

10 A. No. Qwest has the same maintenance concerns as Verizon in areas such as Timm  
11 Ranch. Mr. Hubbard addresses Qwest's maintenance concerns in his testimony.

12  
13 **Q. SHOULD THE COMMISSION ALTER AN EXCHANGE BOUNDARY**  
14 **BASED ON A CUSTOMER'S COMMUNITY-OF-INTEREST?**

15 A. No. As I previously stated, *each* customer's community-of-interest may vary  
16 within the same service area. It would be impossible for the Commission to  
17 establish exchange boundaries based on *each* customer's community-of-interest.  
18 Furthermore, competitive alternatives are currently available to customers to  
19 address their community-of-interest. For example, wireless companies market  
20 services that allow for geographic specific, statewide or nationwide calling at a  
21 single rate for local and toll calls. Local exchange companies offer optional  
22 calling plans and various toll services. Finally, if customers want to expand their

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<sup>26</sup> *Id.* at page 6, lines 1-23 and at page 11, lines 10-11.

1 local calling area, WAC 480-120-045 defines the process to pursue for such a  
2 request. Mr. Nelson has not filed a complaint concerning his prospective local  
3 calling area nor has he asked Qwest to provide service to him based on his desire  
4 to call his community-of-interest at local service rates.

5  
6 **Q. HAS MR. NELSON INITIATED A REQUEST FOR EXTENDED AREA**  
7 **SERVICE IN ACCORDANCE WITH RCW 80.36.855?**

8 A. No, he has not.

9  
10 **Q. IS "CUSTOMER CHOICE" A PART OF UNIVERSAL SERVICE AS MR.**  
11 **SHIRLEY STATES AT PAGE 6, LINE 23 OF HIS TESTIMONY?**

12 A. However, customer choice does not equate to dictating which company a customer  
13 may obtain service from when that company does not hold itself out to offer  
14 service in the area where the customer is located. Rather, the state universal  
15 service program is intended to preserve and advance universal service. RCW  
16 80.36.600 defines the purpose of the universal service program as follows:

17 "The purpose of the universal service program is to benefit  
18 telecommunications ratepayers in the state by minimizing implicit sources  
19 of support and maximizing explicit sources of support that are specific,  
20 sufficient, competitively neutral, and technology neutral to support basic  
21 telecommunications services for customers of telecommunications  
22 companies in high-cost locations."  
23

24 A universal service program should provide for customer choice by enabling all  
25 interested telecommunications providers access to explicit sources of support in  
26 the provision of service to high-cost locations. The designation of RCC Minnesota

1 as an ETC provides such support to RCC Minnesota. Thus, customers in the  
2 Bridgeport exchange now have at least two providers which receive or are eligible  
3 to receive federal universal service support from which they can obtain local  
4 service, Verizon and RCC Minnesota d/b/a Cellular One.

5  
6 **Q. IF QWEST IS ORDERED TO PROVIDE SERVICE TO THE APPLICANTS**  
7 **LOCATED IN THE TIMM RANCH AREA, WILL UNIVERSAL SERVICE**  
8 **BE PRESERVED OR ADVANCED IN WASHINGTON?**

9 A. No. The applicants located in this area already have local voice grade service  
10 from a wireless provider and the Commission has already designated two  
11 telecommunications carriers as ETCs for this area. Mr. Nelson testified that he  
12 and most of the other residents would like internet access.<sup>27</sup> Internet access is not  
13 included in the state definition of universal service.

14  
15 **Q. IF IT WERE FOUND BY THE COMMISSION THAT IT WOULD COST**  
16 **QWEST LESS TO EXTEND ITS FACILITIES FROM THEIR CLOSEST**  
17 **POINT TO THE TIMM RANCH THAN IT WOULD COST VERIZON TO**  
18 **EXTEND ITS FACILITIES FROM THEIR CLOSEST POINT, IS THAT A**  
19 **SUFFICIENT REASON TO CHANGE QWEST'S EXCHANGE**  
20 **BOUNDARY TO INCLUDE THE TIMM RANCH OR ANY PORTION OF**  
21 **IT?**

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<sup>27</sup> *Id.* at page 25, lines 21-25 and page 26, line 14-23 and page 27, lines 1-5.

1 A. No. Cost is not the only relevant factor and as previously stated, the ramifications  
2 of such a decision will affect every telecommunications company operating in the  
3 state of Washington. This would constitute assumption by the Commission of the  
4 prerogatives of utilities' management to determine the areas within which they  
5 will offer service. A decision of this nature would also contradict the intent of the  
6 ETC designation and associated obligation. It is unclear why the Commission  
7 would designate a company as an ETC, which enables it to receive high cost and  
8 interstate access universal service support, if it only intends to serve a portion of  
9 the customers within an exchange. It contradicts Section 214(e)(1) of the Act  
10 which states that ETCs shall, throughout the service area for which the  
11 designation is received, offer the services that are supported by Federal universal  
12 service support mechanisms under section 254(c). The FCC found "As an ETC,  
13 the incumbent LEC is required to make service available to all consumers upon  
14 request, but the incumbent LEC may not have facilities to every possible  
15 consumer....A new entrant, once designated as an ETC, is required, as the  
16 incumbent is required, to extend its network to serve new customers upon  
17 reasonable request."<sup>28</sup> It makes no sense to designate two companies as ETCs for  
18 an area and then redraw a third company's exchange boundary and force it to  
19 extend wire-line facilities into that same area without ever receiving evidence that  
20 both of the ETCs are unwilling or unable to serve and somehow justifying that  
21 unwillingness or inability in light of the ETCs' voluntary and compensated  
22 undertaking to serve all customers in the area.

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<sup>28</sup> FCC Order, FCC 00-248 in CC Docket No. 96-45 Declaratory Ruling "In the Matter of Federal State  
Joint Board on Universal Service, Western Wireless Corporation Petition for Preemption of an Order of the

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**Q. HAS VERIZON OR RCC MINNESOTA EVER STATED THEY ARE UNWILLING OR UNABLE TO SERVE THE OCCUPANTS OF TIMM RANCH?**

A. No. Neither company has stated or implied that it is unwilling or unable to serve the occupants of Timm Ranch.

**Q. IF THE EXCHANGE BOUNDARY IS REDRAWN IN THIS CASE BASED SOLELY ON THE DIFFERENCE IN WIRELINE EXTENSION COSTS FROM THE CLOSEST EXISTING FACILITIES OF VERIZON AND QWEST, AND DESPITE THE FACT THAT TWO COMPANIES OTHER THAN QWEST HAVE VOLUNTARILY ASSUMED ETC STATUS IN THE AREA INVOLVED, WILL THE EXCHANGE BOUNDARY HAVE ANY MEANING AND GEOGRAPHICAL LIMIT ON THE OBLIGATIONS OF AN INCUMBENT LOCAL EXCHANGE COMPANY TO BUILD FACILITIES TO SERVE CUSTOMERS WHO CHOOSE TO LIVE IN REMOTE AREAS?**

A. No.

**Q. MR. SHIRLEY TESTIFIED THAT QWEST IS IN THE BUSINESS OF SERVING RURAL WASHINGTON. IS QWEST IN THE BUSINESS OF SERVING THE TIMM RANCH OCCUPANTS?**

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South Dakota Public Utilities Commission" Released August 10, 2000, ¶17.



1 A. No. Qwest holds itself out to provide service only within its designated  
2 exchanges, and as Timm Ranch is not within Qwest's exchange, Qwest does not  
3 serve the Timm Ranch area. Nor does Qwest perceive it to be a sound business  
4 decision to provide service to the Timm Ranch at this time.

5  
6 **Q. DOES QWEST HAVE NOTICE TODAY OF THE GROUNDS ON WHICH**  
7 **THE STAFF MAY AT SOME LATER TIME RECOMMEND THAT**  
8 **QWEST'S BOUNDARY BE REDRAWN IN THIS CASE?**

9 A. No. Qwest remains unaware of the basis upon which staff would recommend  
10 later in this case that Qwest's boundary be redrawn.

11  
12 **Q. DOES QWEST HAVE NOTICE TODAY OF THE STANDARDS THE**  
13 **COMMISSION WOULD APPLY UNDER ITS AUTHORITY IN RCW**  
14 **80.36.230 IN ORDERING QWEST TO REDRAW ITS OMAK EXCHANGE**  
15 **BOUNDARY?**

16 A. No. Qwest has no idea of the theory Staff would apply to recommend to the  
17 Commission that it redraw the existing Omak exchange boundary. In the Third  
18 Supplemental Order in this matter, the Commission itself stated that "it is not  
19 clear whether or how this authority should be invoked in this proceeding".

20  
21 **Q. HAS ANYONE FILED A COMPLAINT AGAINST THE OMAK**  
22 **EXCHANGE BOUNDARY DESIGNATION?**

23 A. No.

1

2 **Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?**

3 A. Yes.

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