

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

IN THE MATTER OF THE PETITION FOR
ARBITRATION OF AT&T
COMMUNICATIONS OF THE PACIFIC
NORTHWEST AND TCG SEATTLE WITH
QWEST CORPORATION PURSUANT TO
47 U.S.C. § 252(b)

Docket No. UT-033035

REBUTTAL TESTIMONY OF WILLIAM R. EASTON

ON BEHALF OF

QWEST CORPORATION

**ALTERNATIVELY BILLED CALLS AND GENERAL PRICING ISSUES
(Disputed Issue Nos. 33, 35, and 36)**

OCTOBER 10, 2003

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1 **III. ISSUE NO.33: BILLING FOR ALTERNATIVELY BILLED CALLS**

2 **Q. ON PAGE 14 OF HIS TESTIMONY MR. HYDOCK ARGUES THAT AN**
3 **INTERCONNECTION AGREEMENT IS NOT THE RIGHT PLACE TO**
4 **ADDRESS BILLING ISSUES RELATED TO ALTERNATIVELY BILLED**
5 **CALLS FOR UNE AND RESALE CUSTOMERS. WHY DOES QWEST**
6 **BELIEVE THAT THIS ISSUE NEEDS TO BE ADDRESSED IN THE**
7 **INTERCONNECTION AGREEMENT?¹**

8 **A.** Due to the unique characteristics of alternatively billed calls for UNE and resale services,
9 the method for handling these calls should be addressed in the interconnection agreement,
10 which spells out the terms and conditions of UNE and resale. Alternatively billed calls
11 for UNE and resale customers must be handled differently than other alternatively billed
12 calls due to the fact that existing industry billing arrangements route the billing
13 information to the owner of the NPA-NXX. For CLEC UNE and resale customers the
14 billing information is routed to Qwest, even though the end users are CLEC customers,
15 not Qwest customers.

16
17 A further reason that these calls should be addressed as a part of the interconnection
18 agreement is that there are other, undisputed portions of the interconnection agreement
19 which relate to this issue. For example, Section 6.1.1 of the agreement addresses resale

¹ The parties' proposed language is set forth in my direct testimony. Exhibit WRE-1T, at 4-5. Under AT&T's proposal, if they were both willing to do so, the parties would enter into a separate agreement to deal with alternatively billed calls for AT&T's UNE and resale customers. Under Qwest's proposal, the parties would continue to handle these calls as they have for the past five years, except that Qwest now proposes to share a handling fee with AT&T for calls originated by a third carrier's customer.

1 services, including Qwest toll billing. Section 12.2.5.2.1 specifies that Qwest provide
2 usage records for resale and UNE customers to the CLEC to allow for the billing of these
3 services. Section 12.2.5.2.3 specifies how usage information related to alternatively
4 billed calls is to be passed to AT&T. Finally, Section 21.5.1 states that “the CLEC shall
5 be responsible for providing all Billing information to its Customers who purchase
6 Unbundled Network Element, combination, or resold service from CLEC.” Qwest’s
7 proposed language in Section 21.2.4 is consistent with these undisputed provisions of the
8 interconnection agreement. Qwest's proposal also makes clear that, for AT&T's UNE
9 and resale customers, alternatively billed calls will be billed directly to AT&T using the
10 processes outlined in my direct testimony at Section III, pages 7-9. For these reasons, the
11 Qwest language should be adopted.

12
13 **Q. ON PAGE 15 OF HIS TESTIMONY MR. HYDOCK STATES THAT THE**
14 **QWEST PROPOSAL SHIFTS TO AT&T ALL THE COSTS AND RISKS OF**
15 **BILLING AND COLLECTION FOR A SERVICE AT&T DID NOT EVEN**
16 **PROVIDE. HOW DO YOU RESPOND?**

17 A. First I would note that the Qwest proposal does not “shift” anything because it is
18 consistent both with how alternatively billed calls are typically handled by the industry --
19 where the local carrier (in this case, AT&T) handles the billing and collection for their
20 customers -- and with the way these calls have been handled under the existing AT&T
21 interconnection agreement. After all, alternatively billed calls provide a service to
22 AT&T's UNE and resale customers by allowing them to receive collect calls or to charge
23 calls to their home phone when they are away. Thus, contrary to AT&T's assertion,

1 Qwest's proposal does not shift any responsibilities, but maintains the status quo.

2 Secondly, the Qwest proposal provides a mechanism whereby AT&T is compensated for
3 its billing and collections efforts through the application of the wholesale discount or a
4 sharing of the CMDS fee. Finally, I would add that Qwest makes available, at no charge,
5 a call blocking service that CLECs can order for unbundled and resold lines that blocks
6 collect and third party billed calls and, therefore, can be used to limit the risk from
7 problem customers. If AT&T believes that the risk of an uncollectible bill for
8 alternatively billed calls is so great as to outweigh the desire to provide those services to
9 its customers, then AT&T can block those services for a particular customer and will bear
10 no risk of a bad debt. Qwest on the other hand, is not in a position to make this business
11 decision because the end user is not a Qwest customer.

12
13 **Q. MR. HYDOCK ARGUES ON PAGE 15 OF HIS TESTIMONY THAT THE**
14 **QWEST PROPOSAL IS INCOMPLETE BECAUSE IT PROVIDES ONLY**
15 **THREE SENTENCES. PLEASE COMMENT.**

16 A. Mr. Hydock's focus only on the language in Qwest's proposal for Section 21.2.4 is too
17 narrow. As I discussed previously, Section 21.2.4 is a complement to several other
18 portions of the interconnection agreement which have a bearing on this issue. Taken
19 together, these sections of the interconnection agreement include all of the provisions
20 necessary for a complete agreement regarding billing for alternatively billed calls for
21 AT&T's UNE and resale customers.

22

1 To support his claim, Mr. Hydock points to a sixteen-page agreement between AT&T
2 and SBC (SBC Agreement) and lists some of the terms encompassed in this agreement.
3 Even a cursory review of the SBC Agreement reveals that most of its terms are addressed
4 in the interconnection agreement at issue in this docket. In fact, a significant portion of
5 the sixteen-page SBC Agreement addresses standard contract terms such as Term of the
6 Agreement, Dispute Resolution, Disclaimer of Representations and Warranties,
7 Limitation of Liabilities, Indemnity, etc. -- items that are covered at length in the AT&T
8 interconnection agreement presented in this docket. The SBC Agreement also addresses
9 processes, responsibilities, and compensation mechanisms related to alternatively billed
10 calls, but as I have discussed, these are all addressed in Qwest's proposed interconnection
11 agreement language. Therefore, Qwest's proposal is as complete as the SBC Agreement.

12
13 **Q. AT PAGE 16 OF HIS TESTIMONY MR. HYDOCK DESCRIBES THE**
14 **DIFFICULTIES AT&T WOULD ENCOUNTER IF THE QWEST LANGUAGE**
15 **WERE ADOPTED. PLEASE COMMENT.**

16 A. The issues Mr. Hydock describes are not unique issues raised by Qwest's proposal, but
17 simply reflect the status quo with regard to billing and collection responsibilities, based
18 both on the way the billing for this type of call is typically handled in the industry and
19 how Qwest and AT&T have handled billing for alternatively billed calls for the past five
20 years. Thus, the issues cited by AT&T are no different than the issues faced by other
21 local service providers, including Qwest, in dealing with alternatively billed calls.

1 AT&T's position on this issue is that, if the parties are willing to enter into an
2 arrangement regarding billing and collection for alternatively billed calls, the terms of
3 that agreement should not be incorporated into the interconnection agreement, but should
4 be the subject of a separate agreement. AT&T points to the SBC Agreement as an
5 example of such a separate agreement. However, the SBC Agreement not only
6 represents a significant departure from the way these calls are typically handled in the
7 industry, but also appears to greatly disadvantage SBC and would certainly greatly
8 disadvantage Qwest. For example, the SBC Agreement provides for a 40% discount on
9 all accounts receivable and for AT&T to receive a \$.05 per message. The 40% discount
10 applies for all calls, whether originated by a Qwest toll customer or another toll carrier's
11 customer. Take the case of a \$10 alternatively billed call originating with Verizon and
12 being billed to an AT&T UNE customer served by a Qwest switch. In this situation,
13 Qwest, through the CMDS process, would reimburse Verizon \$10.00, less a \$.05
14 handling fee. Under the terms of the SBC Agreement, Qwest would then apply the 40%
15 discount and bill AT&T for only \$6.00. In addition, Qwest would pass on to AT&T the
16 \$.05 handling charge it is permitted to hold back from Verizon. For its efforts in
17 handling this call, Qwest incurs a loss of \$4.00, even though it was not a Qwest customer
18 who initiated the call, nor a Qwest customer that the call was being billed to. AT&T on
19 the other hand could receive as much as \$ 4.05 (the 40% discount and the handling fee).
20 This is rather extravagant compensation for merely taking on the responsibilities and
21 risks that other local carriers routinely take on for the industry standard \$.05 CMDS
22 handling fee. On its face, the terms of the SBC Agreement cannot be justified from
23 SBC's business perspective. Indeed, it is not clear from the terms of the agreement itself

1 why SBC would enter into such a one-sided arrangement. It is possible that the SBC
2 Agreement was just one part of a larger transaction in which SBC negotiated more
3 favorable terms on another issue in return for agreeing to the distinctly unfavorable terms
4 in the SBC Agreement. However, AT&T produced only the SBC Agreement itself,
5 without any additional information regarding the context in which that agreement was
6 reached. The Commission should thus give little weight to the SBC Agreement.

7
8 **Q. ON PAGE 17 MR. HYDOCK ARGUES THAT THE FACT THAT THE PARTIES**
9 **HAVE BEEN HANDLING THESE CALLS USING THE QWEST PROPOSAL**
10 **FOR THE LAST SEVERAL YEARS IS NOT OF IMPORT. DO YOU AGREE?**

11 A. No. The parties' five year history of successfully handling alternatively billed calls for
12 AT&T's UNE and resale customers is important because it demonstrates that the existing
13 method is a reasonable and workable solution. I do agree that the parties need not
14 necessarily be limited to the arrangement that they have been using. However, I would
15 point out that AT&T has not proposed an alternative method for handling these types of
16 calls, other than to say that the issue should be addressed, if at all, in a separate
17 agreement. Qwest has proposed the continued use of the existing method for handling
18 these calls, updated to share the CMDS call-handling fee with AT&T. Because it is an
19 element of the UNE and resale product offerings, this issue is appropriately addressed in
20 this interconnection agreement, along with other product terms and conditions.

21

1 **Q. DOES QWEST HAVE ANY OTHER CONCERNS REGARDING ADDRESSING**
2 **ALTERNATIVELY BILLED CALLS FOR AT&T'S UNE-P AND RESALE**
3 **CUSTOMERS IN A SEPARATE AGREEMENT?**

4 A. Yes. Qwest is concerned about how these alternatively billed calls would be handled if
5 AT&T's proposal is adopted. AT&T's proposed language states that the interconnection
6 agreement "does not contain an arrangement by which the parties compensate one
7 another for alternatively billed calls," but, if the parties are willing to enter into an
8 arrangement for billing and collection of these calls, "the terms for any arrangement,
9 including compensation arrangements, would be the subject of a separate agreement." In
10 addition, on page 17 of his testimony, although Mr. Hydock acknowledges that AT&T
11 and Qwest "have already been employing [Qwest's] suggested billing arrangement in
12 Washington," he then attempts to dismiss the existing arrangement as "language without
13 any impact." Thus, it appears that, if AT&T's proposal is accepted, AT&T may take the
14 position that the existing arrangement is terminated unless and until the parties enter into
15 a new, separate agreement. Without an agreement as to how these charges will be
16 handled, Qwest and other originating carriers may be left without compensation for
17 handling these calls.

18

19 **IV. ISSUE NO. 35: SEC. 22.1 PRICING GENERAL PRINCIPLE**

20 **Q. MS. STARR STATES THAT THE INTENT OF AT&T'S LANGUAGE IN**
21 **SECTION 22.1 IS TO "PROVIDE CLEAR AND SPECIFIC LANGUAGE"**

1 **RELATED TO AT&T'S ABILITY TO BILL QWEST FOR SERVICES**
2 **PROVIDED BY AT&T. PLEASE COMMENT.**

3 A. If this was AT&T's intent, AT&T's proposed language misses the mark. AT&T's
4 proposed language is overly broad and lacks any degree of specificity, falling far short of
5 the specificity that is appropriate in contract language. For example, the first sentence of
6 the proposed AT&T language provides that, if "one Party charges the other for a service
7 provided under this Agreement, the other Party may also charge for that service or
8 functionality." Thus, AT&T inexplicably seeks to tie its ability to charge Qwest to the
9 services Qwest provides, rather than services AT&T provides. On its face, this provision
10 appears to allow AT&T to charge Qwest for any service or functionality for which Qwest
11 charges AT&T, without regard to whether AT&T actually provides any such services or
12 functionality. AT&T's second sentence allows AT&T to charge rates that are "equivalent
13 to Qwest's rates for comparable interconnection services," but then includes an open-
14 ended proviso that apparently gives AT&T the right to charge Qwest more if AT&T
15 claims that it has higher costs for providing the service. However, AT&T's proposal sets
16 forth no standards or procedures by which AT&T would establish that "higher rates are
17 justified" and provides no guidance regarding who would make such a determination.

18
19 Finally, AT&T adds language stating that Qwest and AT&T will charge each other an
20 amount "equivalent to" the amount charged by the other party for the same service or
21 functionality. If "equivalent to" means "the same as" then the language in and of itself is
22 not necessarily objectionable, however AT&T seems to define "equivalent to" in a way
23 that is not "the same as." Instead, AT&T's proposed language states that "[i]n order for

1 an amount charged by one Party to be ‘equivalent to’ an amount charged by the other
2 Party, it shall not be necessary that the pricing structures be identical.” In essence, AT&T
3 seeks to use different pricing structures for charges that would still qualify as “equivalent
4 to” Qwest’s charges, without specifying a standard or requirement of any kind. The
5 language in an interconnection agreement must provide more clarity than AT&T’s
6 language provides here. While I am not a legal expert, parties to a contract should plainly
7 state the terms of their bargain in such a way that both parties can understand them and
8 form reasonable expectations. AT&T’s proposal is too convoluted and vague to satisfy
9 that objective. It is more appropriate to include language in the interconnection
10 agreement that simply provides that the Exhibit A rates apply to services Qwest provides
11 to AT&T and, to the extent applicable, to the services AT&T provides to Qwest. Qwest’s
12 proposal, set forth below, accomplishes just that:

13 **22.1 General Principle**

14
15 The rates in Exhibit A apply to the services provided by Qwest to CLEC
16 pursuant to this Agreement. To the extent applicable, the rates in Exhibit
17 A also apply to the services provided by CLEC to Qwest pursuant to this
18 Agreement.
19

20 Therefore, Qwest’s proposal should be incorporated into the interconnection agreement.
21

22 **V. ISSUE NO. 35: SEC 22.4 INTERIM RATES**

23 **Q. ON PAGE 9 AND 10 MS. STARR ARGUES THAT THE TRUE UP LANGUAGE**
24 **IN AT&T’S SECTION 22.4.1.4 IS NECESSARY TO REDUCE ANY “INCENTIVE**

1 **ON QWEST’S PART TO CHARGE INFLATED RATES FOR A SERVICE**
2 **PRIOR TO A RATE BEING APPROVED BY THE COMMISSION” AND THAT**
3 **“EACH PARTY HAS THE RIGHT TO ADVOCATE ITS POSITION RELATED**
4 **TO TRUE-UPS BEFORE THE COMMISSION.” PLEASE RESPOND.**

5 A. AT&T's proposed Section 24.4.1.4 provides that, when the Commission reviews an
6 interim rate, "the Parties shall be free to seek and the Commission may determine, that
7 the Interim Rates are subject to true-up." It is not clear how this language provides
8 incentive for Qwest to engage in any particular behavior. However, it is clear that AT&T
9 and Qwest cannot alter the scope of the Commission's authority by stipulation in an
10 interconnection agreement. Moreover, AT&T has provided no reason why it is
11 appropriate to include language in the interconnection agreement that addresses the
12 parties' ability to make any particular argument regarding rates. Further, AT&T is not
13 without recourse if it believes that an interim rate is inflated. Under the interconnection
14 agreement AT&T is entitled to initiate dispute resolution to address such issues. In any
15 event, AT&T's proposed language for Section 22.4.1.4 does not appear to add anything to
16 the parties' rights to bring the issue to the Commission's attention. Given its questionable
17 value, incorporating Section 22.4.1.4 in the interconnection agreement could only lead to
18 confusion. For example, the Commission's adoption of this language could be construed
19 as constituting the Commission's endorsement of a subsequent request for true-up.
20 Section 22.4.1.4 is neither necessary nor appropriate and, therefore, it should not be
21 included in the interconnection agreement.

1 **Q. ON PAGE 9 OF HER TESTIMONY MS. STARR ARGUES THAT AT&T HAS A**
2 **RIGHT TO PETITION THE COMMISSION TO REVIEW RATES FOR UNES,**
3 **COLLOCATION AND INTERCONNECTION SERVICES. DOES QWEST**
4 **DISAGREE?**

5 A. No, Qwest agrees that any party -- Qwest, AT&T, or any other -- may certainly request
6 that the Commission include cost-related issues in a cost docket or initiate a full-blown
7 cost docket. However, Qwest disagrees with the provision in AT&T's proposal that
8 suggests that AT&T has a unilateral right to initiate a cost proceeding. The ultimate
9 discretion to initiate a cost docket rests with the Commission and cannot be delegated to
10 any other party by the stipulation of Qwest and AT&T in an interconnection agreement.
11 Therefore, AT&T's proposed Section 22.4.1.3 is inappropriate and should not be inserted
12 in the interconnection agreement.

13
14 **Q. IN SECTIONS 22.4.1 AND 22.4.1.1, WHY HAS QWEST LIMITED INTERIM**
15 **RATES TO ONLY THOSE RATES THAT REQUIRE COMMISSION**
16 **APPROVAL?**

17 A. Not all of the rates on Exhibit A require Commission approval and, as such, should not be
18 subject to treatment as interim rates. AT&T argues that even rates that do not require
19 Commission approval must be treated as interim rates in the event that the Commission
20 decides in a future cost proceeding that a true-up is needed. Clearly, rates that do not
21 require Commission approval are not subject to true-up. Qwest's language in Sections
22 22.4.1 and 22.4.1.1 preserves the necessary distinction between those rates which require
23 Commission approval and those which do not. Thus, although Ms. Starr indicates on

1 page 5 of her testimony that Section 22.4.1 is resolved, it appears that parties have not yet
2 resolved their disputes regarding that section.

3
4 **Q. ON PAGE 8 OF HER TESTIMONY MS. STARR NOTES THAT ONE**
5 **DIFFERENCE BETWEEN AT&T'S LANGUAGE FOR SECTION 22.4.1.1 AND**
6 **QWEST'S LANGUAGE IS WHETHER ICB RATES ARE INTERIM RATES.**
7 **WHY HAS QWEST REJECTED THE INCLUSION OF ICB RATES IN THIS**
8 **INTERIM RATES SECTION?**

9 A. AT&T's proposal to define ICB rates as interim rates is inconsistent with the fact that this
10 Commission has not previously ordered ICB rates to be subject to true-up. Further,
11 AT&T's only reason for inserting the language is to ensure that ICB rates receive
12 particular treatment under the interconnection agreement. The inclusion of ICB rates in
13 Section 22.4.1.1 is unnecessary, however, because Section 22.5 of the interconnection
14 agreement is dedicated to the appropriate treatment of ICB rates. Section 22.5 and the
15 appropriate treatment of ICB rates are discussed in the next section of this testimony.

16 **VI. ISSUE NO. 35: SEC. 22.5 ICB PRICING**

17 **Q. ON PAGE 12 OF HER TESTIMONY MS. STARR NOTES THAT QWEST HAS**
18 **REJECTED ITS OWN LANGUAGE PROPOSED IN COLORADO FOR USE IN**
19 **THE WASHINGTON AGREEMENT. PLEASE COMMENT.**

20 A. It is important that the interconnection language in any given state takes into account
21 previous rulings in the state and the way in which particular issues have been dealt with

1 by the Commission. As a result, language that is appropriate for Colorado may not be
2 appropriate for Washington. After the direct testimony was filed in this docket, Qwest
3 further refined its ICB language to make it more consistent with the way ICB rates have
4 been handled in Washington.

5
6 **Q. WHAT ICB LANGUAGE IS QWEST NOW PROPOSING FOR THE**
7 **WASHINGTON AT&T INTERCONNECTION AGREEMENT?**

8 A. Qwest now proposes the following language:

9 If CLEC requests a product or service that is identified on Exhibit
10 A as ICB, or for which an ICB rate is established subsequent to the
11 effective date of this Agreement, Qwest shall develop a cost-based
12 rate based upon the particular circumstances of the requested
13 product or service. A cost based ICB rate developed in this
14 manner will be filed with the Commission for approval as an
15 amendment to this Agreement. After the amendment is approved
16 by the Commission, CLEC may order, and Qwest shall provision,
17 such product or service, under the same circumstances, using the
18 approved rate, unless the Commission establishes a non-ICB rate.
19 If the Commission determines that ICB pricing is appropriate for a
20 product or service, that determination shall apply to all subsequent
21 requests for the product or services.
22
23

24 **VII. ISSUE NO. 36: EXHIBIT A PRICING**

25 **Q. ON PAGES 15-16 OF HER TESTIMONY, MS. STARR LISTS 11 ISSUES THAT**
26 **REMAINED UNRESOLVED AS OF THE DATE HER TESTIMONY WAS**
27 **FILED. HAVE ANY OF THESE ISSUES BEEN RESOLVED SINCE THAT**
28 **TIME?**

1 A. Yes, Qwest believes that all of the issues Ms. Starr lists have been resolved. However, if
2 AT&T disagrees and submits testimony regarding these or any other issues relating to
3 Exhibit A, Qwest reserves the right to submit supplemental rebuttal testimony to address
4 those issues.

5 **VIII. CONCLUSION**

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

7 A. Yes.