

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In the Matter of the)	
)	DOCKET NO. UT-003013
Continued Costing and Pricing of)	Part D
Unbundled Network Elements,)	
Transport, and Termination)	

DIRECT TESTIMONY OF

EDWARD CAPUTO

ON BEHALF OF

WORLDCOM, INC.

Dated: December 21, 2001

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1 **EXECUTIVE SUMMARY OF TESTIMONY OF EDWARD J. CAPUTO**

2

3 Directory Assistance and Operator Services (“DA/OS”) must be provided as

4 UNEs unless Qwest provides customized routing. As a UNE, the pricing must be

5 TELRIC or cost-based pursuant to Section 251(c)(3) of the Act. If Qwest does

6 provide customized routing, it is still obligated to provide nondiscriminatory access

7 to DA/OS pursuant to Section 251(b)(3). Nondiscriminatory access means that it

8 must offer DA/OS services at the same price it offers those services to others,

9 including itself. A market-based pricing methodology, therefore, is inherently

10 discriminatory.

11 Qwest’s continues to refuse to provide customized routing in a manner

12 consistent with WorldCom’s business needs. Specifically, Qwest refuses to offer

13 customized routing on a Feature Group D, shared access basis. Further, Qwest

14 proposed ICB pricing regarding customized routing is too vague for WorldCom to

15 comment upon, except to the extent that it discriminates and imposes

16 unreasonable costs on other carriers. Until Qwest proves that its proposed Line

17 Class Code based customized routing meets WorldCom’s needs, it must provide

18 OS/DA as UNEs.

1 **INTRODUCTION AND PROFESSIONAL EXPERIENCE**

2 **Q. Please state your name, title and business address.**

3 **A.** My name is Edward J. Caputo. I am Director of Operator and Directory
4 Services for WorldCom. My business address is 601 South 12th Street,
5 Arlington, Virginia 22202.

6 **Q. What is your educational background?**

7 **A.** I attended the University of Maryland in College Park, Maryland, and
8 earned a Bachelor of Science degree in Business Management.

9 **Q. Would you please provide a brief description of your professional**
10 **experience?**

11 **A.** I have held management positions in the telecommunications field for the
12 last 11 years. Prior to that, I held management positions in the
13 Information Technology and Finance field. I have had management
14 responsibilities at WorldCom and its predecessor entity, MCI, since 1990
15 in the area of Operator and Directory Services.

16 **PURPOSE OF TESTIMONY**

17 **Q. What is the purpose of your testimony?**

18 **A.** The purpose of this testimony is to support the position of WorldCom, Inc.
19 (“WorldCom”) with regard to QWEST’s pricing of customized routing.
20
21

1 **OS/DA SERVICES**

2

3 **Q. What are OS/DA services?**

4 A. Generally, OS/DA are services that support operator call completion and
5 the ability of telecommunications providers to offer directory assistance
6 services to their customers. Operator services refer to any automatic or
7 live assistance to a consumer to arrange for billing or completion, or both,
8 of a telephone call. Specifically, incumbent local exchange carriers
9 (ILECs) must allow telephone service customers to connect to the
10 operator services offered by that customer's chosen local service provider
11 by dialing "0" ("0-") or "0" plus the desired telephone number ("0+"),
12 regardless of the identity of the customer's local telephone service
13 provider.

14

15 Directory assistance refers to a service in which users are provided with
16 telephone numbers and, in some instances, addresses of individual
17 telephone exchange service subscribers. The information provided to
18 users is obtained from databases that contain the names, addresses, and
19 telephone numbers of the telephone exchange service subscribers within

1 particular geographic areas that do not elect to have unpublished
2 numbers.¹

3 **Q. What methods are available to WorldCom to provide OS/DA to its**
4 **customers?**

5 A. WorldCom can either purchase OS/DA from QWEST or provide its own
6 OS/DA. The only way WorldCom can effectively provide its own OS/DA to
7 its UNE-platform (UNE-P) customers, however, is through access to the
8 local switched network. Because QWEST owns and controls the
9 bottleneck local switched network, it controls access to the telephone
10 customer (particularly when a CLEC purchases the switching UNE, as is
11 the case with UNE-P). In order to provision its own OS/DA, therefore,
12 WorldCom is dependent on QWEST to route WorldCom's UNE-P
13 customers' OS/DA calls to WorldCom's OS/DA facilities. This type of
14 routing is frequently referred to as "customized routing."

15 **Q. Which method to provide OS/DA to its UNE-P² customers does**
16 **WorldCom prefer and why?**

¹ Mr. Gates, on behalf of WorldCom, provides the FCC's definitions of OS and DA in his testimony. My definitions are consistent with those used by the FCC and throughout the industry.

² For the sake of convenience, I am referring to WorldCom's local residential product as UNE-P, even though WorldCom is trying to migrate to a facilities-based OS/DA strategy. If WorldCom stops purchasing OS/DA as a UNE from QWEST, some would call the resulting configuration a "switch/port" combination. To avoid adding acronyms to a case full of acronyms, I will refer to WorldCom's local residential product as UNE-P, whether or not WorldCom purchases OS/DA as a UNE.

1 A. WorldCom prefers accessing its own OS/DA facilities through customized
2 routing to purchasing QWEST's OS/DA as a UNE for a variety of reasons.
3 First, self-provisioning will allow WorldCom to directly control OS/DA
4 service offerings to its customers. This will also enable WorldCom to
5 develop and deploy new and innovative services to meet consumer needs
6 in the marketplace. This type of product differentiation allows WorldCom
7 to attract and keep customers. The Federal Communications Commission
8 (FCC) recognized that these are important when it said:

9 As the Commission explained in the *Local Competition First*
10 *Report and Order*, using unbundled network elements and
11 resold services present different opportunities, risks, and
12 costs, in connection with providing local telephone service.
13 These differences influence the entry strategies of potential
14 competitors. The Commission stated that carriers using
15 unbundled elements will have greater opportunities to offer
16 services that are different from those services offered by the
17 incumbents."³

18 The FCC also stated:

19 Two fundamental goals of the Act are to open the local
20 exchange and exchange access markets to competition and
21 to promote innovation and investment by all participants in
22 the telecommunications marketplace. To further the goal of
23 opening the local market to competition, we may consider
24 how access to specific unbundled network elements will
25 encourage the rapid introduction of local competition to the
26 benefit of the greatest number of consumers."⁴

27

28 Second, self-provisioning will enable WorldCom to offer ubiquitous OS/DA
29 services to its customers. Today, WorldCom provides extensive operator

³ *Third Report and Order and Fourth Further Notice of Proposed Rulemaking*, CC Docket 96-98, FCC 99-238, ¶ 68, released November 5, 1999 (*UNE Remand Order*).

1 and directory services to its local facilities based customers, long distance
2 customers and provides OS/DA services to non-subscribers (i.e., casual
3 users) with products such as 1-800-COLLECT. WorldCom strives to
4 enhance its brand image by delivering feature consistency as well as
5 reliable high quality with respect to automated and live operator handling.
6 WorldCom prefers to control product content and delivery in all markets in
7 which it participates in order to protect and enhance the value and image
8 of its brand.

9
10 Finally, WorldCom wants the opportunity to compete with QWEST as a
11 provider of OS/DA services to other CLECs in Washington. In order to do
12 so, other CLECs will also be dependent upon QWEST to provide the
13 customized routing to direct CLECs' customers' calls to WorldCom's
14 OS/DA platform.

15 **Q. What are QWEST'S obligations with respect to DA/OS?**

16 A. The FCC, in its *UNE Remand Order*⁵, specified that where the incumbent
17 carrier does not provide customized routing, it must continue to offer
18 DA/OS as UNEs pursuant to 47 USC § 251(c)(3). *UNE Remand Order* at
19 ¶ 462.

20

⁴ *UNE Remand Order* ¶ 103.

1 **Q. What does it mean that Qwest must provide OS/DA as UNEs?**

2 A. The FCC has established very specific pricing and provisioning
3 requirements for UNEs. TELRIC pricing, not ICB or market based pricing,
4 is one of those requirements.

5 **Q. Regardless of the UNE status of OS/DA, does Qwest have an
6 obligation as to the way in which it provides OS/DA?**

7 A. Yes. To the extent that QWEST may provide customized routing, QWEST
8 remains obligated to provide DA/OS under the principles of “dialing parity”
9 which includes the duty to allow nondiscriminatory access to DA/OS
10 pursuant to 47 USC § 251(b)(3). *Id.*

11 **Q. Is QWEST’S proposed “market-based” pricing for DA/OS
12 discriminatory?**

13 A. Yes. Regardless of whether QWEST offers DA/OS as a UNE, at the very
14 least, QWEST’S pricing for DA/OS must be nondiscriminatory. As the
15 *UNE Remand Order* made clear, “competitive carriers who wish to obtain
16 OS/DA from the incumbent may do so consistent with the incumbent
17 LEC’s nondiscriminatory access obligations under Section 251(b)(3).”
18 *UNE Remand Order*, at ¶ 455. “Nondiscriminatory” applies not only to
19 what QWEST charges other carriers, and the way in which the service is

⁵ *Third Report and Order and Fourth Further Notice of Proposed Rulemaking*, CC Docket 96-98, FCC 99-238, released November 5, 1999 (“*UNE Remand Order*”).

1 provided, but must also be relative to what QWEST charges itself.⁶ For
2 example, even if QWEST were to overcharge every carrier, while its prices
3 may be nondiscriminatory with respect to those other carriers, the prices
4 would discriminate between QWEST and all other carriers. In its *Local*
5 *Competition Third Report & Order*, the FCC stated that, “Because an
6 incumbent LEC would have the incentive to discriminate against
7 competitors by providing them with less favorable terms and conditions
8 that it provides to itself, we conclude that the term “nondiscriminatory”, as
9 used throughout section 251, applies to the terms and conditions an
10 incumbent LEC imposes on third parties as well as on itself.”⁷

11
12 Because Section 251(b)(3) mandates nondiscriminatory access between
13 all competitive providers, however, and especially because QWEST is the
14 incumbent carrier, QWEST must provide DA/OS services at the same
15 price it provides these services to itself. The only way to determine what
16 price QWEST provides DA/OS to itself, is for QWEST to provide a cost
17 study in this proceeding, which it has not done.⁸

⁶ When I refer to “charging itself,” I am referring to the cost that Qwest incurs in providing services as opposed to the prices that it imposes upon other carriers for the same service. For instance, if Qwest charges a carrier a dollar for a service and it only cost ten cents to provide the service, that is discriminatory. Such a discrepancy in pricing would put CLECs at a competitive disadvantage.

⁷ *Local Competition Third Report & Order*, FCC 99-227, ¶ 129 (1999), citing *Local Competition Second Report and Order*, at ¶¶ 100-05, and *Local Competition First Report and Order*, at ¶ 217.

⁸ Mr. Gates discusses the need for Qwest to provide services at TELRIC rates instead of at market based or on an ICB basis.

1 Market-based prices are inherently discriminatory to competitive providers
2 who have not had the advantage or have enjoyed the economic and
3 market-based benefits (including scale and scope economies) of an
4 entrenched incumbent as QWEST has. Consequently, such a market-
5 based methodology has no basis being considered in this proceeding.
6 Moreover, QWEST provides no evidence that the prices it proposes are
7 grounded in the market or are market-based in any way. If the
8 nondiscriminatory access requirement of Section 251(b)(3) is to be
9 adhered to, the Commission must consider the costs, based on a properly
10 conducted cost study, and a market-based methodology must be rejected.

11
12 The FCC's *UNE Remand Order*, clearly stated, however, that although
13 DA/OS may not be considered a UNE where customized routing is
14 provided, Section 251(b)(3) will continue to obligate all carriers to provide
15 nondiscriminatory access to DA/OS services. See, *UNE Remand Order*,
16 at ¶ 464.

17
18 Because Section 251(b)(3) mandates nondiscriminatory access as
19 between *all* providers, however, and especially because QWEST is the
20 incumbent carrier, QWEST must provide DA/OS services to WorldCom
21 and other CLECs at the same price it provides these services to itself.

1

2 QWEST'S testimony on this issue ignores the simple fact that the
3 nondiscriminatory principles of dialing parity under Section 251(b)(3) of the
4 Act must be applied to OS/DA services even where those services may be
5 no longer unbundled.

6 **CUSTOMIZED ROUTING**

7 **Q. What is WorldCom's position with respect to QWEST'S customized**
8 **routing?**

9 **A.** QWEST must provide customized routing to WorldCom in a manner
10 consistent with WorldCom's requirements and as prescribed by the FCC
11 in its *UNE Remand Order*. Until QWEST meets these obligations, it must
12 provide DA/OS to WorldCom as a UNE under Section 251(c)(3) of the Act
13 at TELRIC rates. QWEST'S obligation extends to all carriers and that this
14 routing scheme must, in fact, be customized for each requesting carrier.
15 As discussed below, WorldCom has specifically and repeatedly informed
16 Qwest of its need for Feature Group D routing.

17

18 While QWEST offers a Line Class Code based customized routing
19 application, -- albeit not on a shared access basis --, QWEST has not
20 proven that this will meet WorldCom's needs and therefore does not

1 provide customized routing according to FCC rules as described in the
2 FCC's *UNE Remand Order*.

3 **Q. Has QWEST proven that it can provide a form of customized**
4 **routing that is consistent with WorldCom's business needs and**
5 **consistent with the FCC's rules?**

6 A. No. Even though WorldCom communicated its' requirements to QWEST in
7 my Testimony filed in May 16, 2001 for a similar proceedings in Arizona
8 (Docket No: T-00000A-00-0194) and my Testimony filed in June 27, 2001
9 for Colorado (Docket No. 99A-577T), QWEST has not proven that it can
10 provide a workable version of customized routing to WorldCom for
11 WorldCom's OS/DA calls.

12
13 WorldCom requires that QWEST route WorldCom's OS/DA traffic to
14 existing, shared access, Feature Group D trunks between QWEST's local
15 network and WCOM's long distance network. Feature Group D trunks are
16 industry-standard trunks that were put into place shortly after divestiture to
17 allow competitive long distance carriers to provide services to customers.

18 It is clearly technically feasible for a CLEC such as WorldCom to use the
19 industry-standard Feature Group D functionalities to route OS/DA traffic to
20 its facilities-based OS/DA platform.⁹ While QWEST's proposed language

⁹ WorldCom is proposing an industry standard Feature Group D configuration that relies on the commonly-used SS7 protocol. QWEST, on the other hand, has insisted that anything other than QWEST Line Class Codes identical to QWEST's would be ICB Priced even though the functionality of the Line Class Codes and switch routing is essentially the same.

1 in Washington suggests that it would make customized routing available to
2 WorldCom via Line Class Codes and switch routing capabilities, there is
3 no indication that QWEST can actually provide the type of customized
4 routing WorldCom needs.

5 **Q. How does Qwest propose to offer customized routing?**

6 A. Qwest has continually refused to provide WorldCom and other CLECs
7 with a Feature Group D, shared access form of customized routing that
8 would meet WorldCom's business needs. At page 12 of the Executive
9 Summary of Qwest's Nonrecurring Elements Cost Study (#5923) it states
10 as follows:

11 Custom Routing can be requested for Operator Services and
12 Directory Assistance Trunking. Custom Routing is provisioned
13 using Line Class Codes to route the traffic over specific trunk
14 groups.

15
16 Custom Routing has the following trunking requirements:

- 17 i. Dedicated Local Directory Assistance (DA) trunks directed to
18 a CLEC Local DA Platform.
 - 19 ii. Dedicated DA Local Trunks directed to a CLEC Local
20 Electronic DA Platform.
 - 21 iii. Dedicated DA Local Trunks directed to the Qwest DA
22 Platform. CLEC branding is purchased through Qwest
23 Operator Services.
 - 24 iv. Dedicated Full Feature Operator Local Trunks to allow Local
25 Operator Services Call (0+, 0-) dialed by a CLEC end user
26 customer to be directed to a CLEC Local Operator Services
27 Platform (Standard Operator Services protocols of 0+ or 0-
28 will be supported where technically feasible).
 - 29 v. Dedicated Full Feature Operator Local Trunks to allow Local
30 Operator Services calls (0+, 0-) dialed by a CLEC end user
31 customer to be directed to a Qwest Local Operator Services
-

1 platform. CLEC branding is purchased from Qwest Operator
2 Services.
3

4 As you can see above, Qwest offers only dedicated trunks for customized
5 routing, despite WorldCom's continued requests for Feature Group D,
6 shared access trunks.

7 **Q. Is WorldCom's request for shared access consistent with the**
8 **Telecommunications Act of 1996 and the FCC's UNE Remand Order?**

9 A. Yes. As discussed below, it is WorldCom's position that QWEST's
10 proposal is not consistent with its obligations under the Act and the FCC's
11 *UNE Remand Order*.

12
13 WorldCom's request for customized routing through Feature Group D-
14 based Line Class Codes is consistent with the FCC's rules associated with
15 OS/DA UNEs and customized routing. In its *UNE Remand Order*, the
16 FCC provides the following definition of customized routing:

17 Customized routing permits requesting carriers to designate
18 the particular outgoing trunks associated with unbundled
19 switching provided by the incumbent, which will carry certain
20 classes of traffic originating from the requesting provider's
21 customers. This feature would designate the particular
22 outgoing trunks associated with unbundled switching
23 provided by the incumbent.¹⁰

24
25 WorldCom's Feature Group D proposal is clearly technically feasible and
26 would allow WorldCom to "designate the particular outgoing trunks
27 associated with unbundled switching provided by the incumbent" and

1 "designate the particular outgoing trunks associated with unbundled
2 switching provided by the incumbent."

3

4 WorldCom has developed an engineering proposal that uses the same
5 type of Line Class Code and existing local switch features, and
6 functionality as QWEST uses, which meets WorldCom's customized
7 routing needs. WorldCom's has offered to provide QWEST with the
8 documentation for this proposal in both the Arizona and Colorado
9 proceedings but QWEST has not accepted WorldCom's offer.

10 **Q. What about QWEST's proposed pricing for customized routing?**

11 **A.** QWEST has proposed pricing for three categories of charges it identifies
12 under the customized routing category. The first two refer to pricing if the
13 CLEC chooses dedicated trunk Line Class Codes that essentially route
14 OS/DA calls the identical way that QWEST does for its' OS/DA calls. And
15 in the third case QWEST, lists "ICB" or "individual case basis" as the
16 appropriate amount for other types of customized routing. Based on the
17 rate proposal introduced in this proceeding, however, it is impossible to
18 determine whether QWEST'S rates for customized routing are necessary,
19 reasonable and nondiscriminatory with respect to WorldCom's needs.
20 For example, QWEST'S nonrecurring charge for "all other custom routing"

1 is too vague and not defined especially to the extent that it would be levied
2 on an individual customer basis.

3

4 WorldCom has offered to provide QWEST with WorldCom's needs with
5 regard to customized routing. However, QWEST has not accepted this
6 offer and has, instead, prepared a cost study for customized routing that
7 overstates costs¹ and fails to recognize WorldCom's needs. WorldCom
8 requests that the Commission reject QWEST'S attempt to levy charges in
9 this area unless and until QWEST performs a valid cost study and until
10 QWEST provides evidence that it has not already recovered such costs.

11

12 Moreover, WorldCom objects to QWEST'S proposed pricing to the extent
13 that such costs reflect QWEST'S individual development costs to
14 implement such a customized routing scheme as between all carriers.
15 Consistent with Section 251(b)(3) and Section 251(c)(3) requirements,
16 WorldCom believes that CLEC's should only be required to pay for routine
17 implementation costs of customized routing. To require otherwise would
18 be both unreasonable and discriminatory. Since the FCC has determined
19 that the provision of customized routing is a condition precedent to the
20 elimination of QWEST'S duty to provide OS/DA services as a UNE under
21 Section 251(c)(3), CLECs should then not be penalized if QWEST

1 implements a high cost customized routing solution. If QWEST is allowed
2 to simply push off the costs of developing a solution onto each individual
3 competitive carrier, that carrier is not only burdened by the fact that it can
4 no longer obtain DA/OS services at UNE rates, but then must bear the
5 inefficient costs of developing a customized routing solution. Such a result
6 is patently discriminatory not only to competitive carriers as a whole, but
7 would allow QWEST to discriminate against carriers individually based
8 upon their individual customized routing needs.

9

10 WorldCom also objects to QWEST'S customized routing charges to the
11 extent that it might force WorldCom to pay for switching services for which
12 it already pays QWEST either on a facilities-based or UNE-P basis.

13

14 **Q. Please summarize WorldCom's position.**

15 **A.** DA/OS services must be provided as UNEs unless QWEST provides
16 customized routing. As a UNE, the pricing must be TELRIC or cost-
17 based pursuant to Section 251(c)(3) of the Act. If QWEST does provide
18 customized routing, it is still obligated to provide nondiscriminatory access
19 to DA/OS pursuant to Section 251(b)(3). Nondiscriminatory access
20 means that it must offer DA/OS services at the same price it offers those

¹ Mr. Gose, on behalf of WorldCom, explains the problems with Qwest's cost studies and how they result in overstated costs and rates.

1 services to others, including itself. A market-based pricing methodology,
2 therefore, is inherently discriminatory.

3

4 QWEST's proposed pricing regarding customized routing is too vague.
5 WorldCom has previously offered to provide its routing needs to QWEST
6 to determine whether QWEST's offerings would, indeed, be a viable
7 option for WorldCom. QWEST has not accepted WorldCom's offer and
8 the cost study presented by QWEST to this Commission is not reflective of
9 WorldCom's legitimate needs.

10

11 **Q. Does this conclude your testimony?**

12 **A.** Yes, it does.