

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION  
COMMISSION**

In the Matter of the Petition of  
QWEST CORPORATION

For Competitive Classification of Basic  
Business Exchange Telecommunications  
Services

Docket No. UT-030614

**DIRECT TESTIMONY**

**OF**

**MARK S. REYNOLDS**

**QWEST CORPORATION**

**July 1, 2003**

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**EXHIBITS TO TESTIMONY**

- Exhibit MSR-2: List of Basic Business Exchange Services for Which Qwest is Seeking Competitive Classification (Petition Attachment A)
- Exhibit MSR-3: List of Alternative Providers that Purchase Unbundled Loops, UNE-P, and Reslod Business Services in Washington (Petition Attachment C)
- Exhibit MSR-4: Comparison of Qwest Basic Business Exchange Services to CLEC Basic Business Exchange Services (Petition Attachment D)
- Confidential Exhibit MSR-5C: Growth in CLEC Use of Qwest Wholesale Services; 2001 to 2002 (Petition Attachment B)
- Confidential Exhibit MSR-6C: Wholesale/Retail Basic Business Exchange Service Price Comparison

1 **I. IDENTIFICATION OF WITNESS**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**  
3 **EMPLOYMENT.**

4 A. My name is Mark S. Reynolds and my business address is 1600 7<sup>th</sup> Ave., Room  
5 3206, Seattle, Washington, 98191. I am employed by Qwest Services  
6 Corporation (“QSC”) as the Senior Director of Washington Regulatory Affairs for  
7 Qwest Corporation (“QC”) and other Qwest companies.

8 **Q. PLEASE REVIEW YOUR PRESENT RESPONSIBILITIES.**

9 A. I am primarily responsible for all aspects of state regulatory compliance for QSC,  
10 particularly QC’s regulated Washington operations. My responsibilities include  
11 oversight of regulatory filings and advocacy, including presentation of testimony,  
12 as in this docket. I am also responsible for QSC's and its affiliates'  
13 communications and activities with the Washington Utilities and Transportation  
14 Commission (“Commission”).

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

16 A. I received a B.A. from Oregon State University in 1977 and an M.B.A. in 1979  
17 from the University of Montana. My professional experience in the  
18 telecommunications industry spans 22 years working for Qwest and its  
19 predecessors, U S WEST Communications, Inc. (“U S WEST”) and Pacific  
20 Northwest Bell. I have held various director positions in costs, economic  
21 analyses, pricing, planning and interconnection for U S WEST in the marketing  
22 and regulatory areas. I was responsible for ensuring economic pricing  
23 relationships between and among U S WEST’s product lines, including telephone

1 exchange service, long distance, and switched/special access services. I  
2 represented U S WEST, both as a pricing policy witness, and as the lead company  
3 representative, in a number of state regulatory and industry pricing and service  
4 unbundling workshops. Subsequently, I managed an organization responsible for  
5 the economic analyses and cost studies that supported U S WEST's tariffed  
6 product and service prices and costs before state and federal regulators.

7 I have also managed U S WEST's interconnection pricing and product strategy  
8 and the interconnection negotiation teams that were responsible for negotiating  
9 interconnection and resale contracts with new local service providers. In addition,  
10 I managed U S WEST's cost advocacy and witness group, which was responsible  
11 for providing economic cost representation in telecommunications forums,  
12 workshops and regulatory proceedings. Finally, prior to my current position, I  
13 was responsible for state regulatory finance issues and, specifically, the  
14 development and implementation of Qwest's performance assurance plans in  
15 conjunction with its recent Section 271 applications.

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

17 A. Yes. I have testified in a number of proceedings before the Commission dating  
18 back to 1989, including rate and cost dockets, wholesale arbitration dockets,  
19 wholesale complaint dockets, the Qwest/U S WEST merger docket, the 271  
20 docket, and most recently the Dex sale docket.

21 **II. PURPOSE OF TESTIMONY**

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to provide an overview of Qwest's request for  
2 competitive classification of basic business exchange telecommunications  
3 services pursuant to RCW 80.36.330 and WAC 480-121-062. To that end, my  
4 testimony reviews the applicable statutes and rules that apply to such a request and  
5 summarizes Qwest's evidence that satisfies the statutory requirements.

6 My testimony will also provide an analysis of Qwest's wholesale and retail prices  
7 for the services being addressed in Qwest's petition. The purpose of this analysis  
8 is to show that there are ample margins between Qwest's wholesale and retail  
9 rates in which CLECs can competitively price their products.

10 Finally, my testimony will introduce other witnesses appearing on behalf of  
11 Qwest in this proceeding. These witness are David L. Teitzel and Harry M.  
12 (Chip) Shooshan III.

### 13 III. INTRODUCTION OF OTHER QWEST WITNESSES

14 **Q. WHO ARE THE OTHER QWEST WITNESSES IN THIS PROCEEDING,  
15 AND WHAT IS THE PURPOSE OF THEIR TESTIMONY?**

16 A. David L. Teitzel is Director Public Policy with advocacy responsibilities for retail  
17 markets issues. Mr. Teitzel's testimony will provide an overview of competition  
18 as it relates to the services in Qwest's Petition. Mr. Teitzel's testimony supports  
19 Qwest's Petition, which primarily focuses on the wholesale services purchased by  
20 competitors to provide competing services. However, Mr. Teitzel's testimony  
21 also focuses on other evidence of competition including facility-based

1 competition and competition through the use of other technologies, including  
2 wireless.

3 Mr. Teitzel's testimony will also address the significance to this proceeding of the  
4 recently completed docket approving Qwest's Section 271 application.

5 Mr. Harry M. (Chip) Shooshan III, a principal in the consulting firm Strategic  
6 Policy Research, Inc., will primarily address the sufficiency of Qwest's market  
7 share data in satisfying the statutory requirements on a statewide basis and the  
8 weight the Commission should give the Triennial Review in its deliberations in  
9 this docket. Mr. Shooshan will also address competitive trends that have a  
10 bearing on this docket and how the availability of UNEs to competitors located  
11 anywhere that is served by Qwest's network represents an effective price  
12 constraint on Qwest.

13 **IV. OVERVIEW OF QWEST'S PETITION**

14 **Q. WHAT IS THE SCOPE OF QWEST'S PETITION FOR COMPETITIVE**  
15 **CLASSIFICATION?**

16 A. Qwest seeks to have the Commission competitively classify its basic business  
17 exchange services statewide. These services include flat and measured business  
18 exchange service, private branch exchange (PBX) trunks, Centrex services, and  
19 vertical business features. A complete list of the services for which Qwest seeks  
20 competition classification is attached as Exhibit MSR-2 and can also be found in  
21 Attachment A to Qwest Corporation's Petition dated May 1, 2003 ("Petition").

1 **Q. DO YOU BELIEVE COMPETITIVE CLASSIFICATION OF QWEST'S**  
2 **BASIC BUSINESS EXCHANGE SERVICES WILL BENEFIT QWEST**  
3 **AND THE PUBLIC?**

4 A. Yes. As Qwest's Petition reveals, there is significant competitive activity in this  
5 market, both in terms of existing market-share and in terms of market-share  
6 growth. Consequently, in order to compete on an equal footing with other  
7 providers, Qwest seeks to gain the same regulatory flexibility as its competitors.  
8 Specifically, competitive classification for these services will allow Qwest to  
9 quickly respond to competitive offers by allowing the services to be price-listed.  
10 This will allow Qwest to quickly provide targeted responses to competitive  
11 offerings, providing customers with more choices within their decision-making  
12 timeframe. Essentially, competitive classification extends the benefits of a  
13 competitive market to customers by allowing one of the major providers of  
14 business exchange services to compete on more equal terms and conditions with  
15 its competitors.

16 **Q. WHY HASN'T QWEST INCLUDED ITS DIGITAL SWITCHED**  
17 **BUSINESS SERVICES IN THIS PETITION?**

18 A. Qwest has not included its digital switched business services because the primary  
19 focus of Qwest's Petition is competition based on the use of specific Qwest  
20 wholesale services, such as unbundled loops<sup>1</sup> and UNE-P. Competitors are not  
21 generally using these products to provision their digital switched services. Qwest  
22 may well file another case that specifically focuses on digital switched services.

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<sup>1</sup> Unbundled loops typically associated with provisioning digital services, such as DS1 capable, ISDN BRI, and xDSL capable are not included in the unbundled loop quantities filed in Qwest's Petition.

1 **Q. DIDN'T QWEST ALREADY RECEIVE COMPETITIVE**  
2 **CLASSIFICATION FOR SOME OF THE BUSINESS SERVICES THAT**  
3 **ARE BEING ADDRESSED IN THIS PETITION?**

4 A. Yes. The Commission previously found that such business services were subject  
5 to effective competition when provisioned over DS1 or greater circuits within the  
6 greater Bellevue, Seattle, Spokane and Vancouver areas.<sup>2</sup> The basis for the  
7 Commission's ruling was that if the underlying facility used to provision the  
8 services (i.e., DS1) was competitive in a certain geographic location, then the  
9 services that can be provisioned on such a facility should also be classified as  
10 competitive. This type of selective classification, however, is difficult to translate  
11 into marketing plans. This is because most of Qwest's business customers don't  
12 know whether they are served on a copper facility or via some type of broadband  
13 carrier system. In this case, Qwest believes that it has provided sufficient  
14 competitive evidence for its basic business services to be competitively classified  
15 statewide, using a different competitive basis (i.e., unbundled loops, UNE-P, and  
16 resale) as the primary focus of its evidence.

17 **Q. WHAT IS THE KEY REQUIREMENT THAT QWEST MUST MEET FOR**  
18 **COMPETITIVE CLASSIFICATION OF A SERVICE?**

19 A. RCW 80.36.330(1) states:

20 The commission may classify a telecommunications service provided by a  
21 telecommunications company as a competitive telecommunications  
22 service if the service is subject to effective competition. Effective

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<sup>2</sup> *In the Matter of the Petition of Qwest Corporation for Competitive Classification of Business Service in Specified Wirecenters*, Docket UT-000883, Seventh Supplemental Order Denying Petition and Accepting Staff's Proposal, December 18, 2000; *In the Matter of the Petition of U S WEST Communications, Inc. for Competitive Classification of its High Capacity Circuits in Selected Geographical Locations*, Docket No. UT-990022, Eighth Supplemental Order Granting Amended Petition for Competitive Classification, December 21, 1999.

1 competition means that customers of the service have reasonably available  
2 alternatives and that the service is not provided to a significant captive  
3 customer base.

4 RCW 80.36.330 also requires the Commission to consider, at a minimum, the  
5 following factors in determining whether a service is competitive:

- 6 A. The number and size of alternative providers of services;
- 7 B. The extent to which services are available from alternate providers  
8 in the relevant market;
- 9 C. The ability of alternative providers to make functionally equivalent  
10 or substitute services readily available at competitive rates, terms,  
11 and conditions; and
- 12 D. Other indicators of market power, which may include market  
13 share, growth in market share, ease of entry, and the affiliation of  
14 providers of services.

15 **Q. DOES QWEST'S EVIDENCE ADDRESS EACH OF THESE**  
16 **REQUIREMENTS?**

17 A. Yes.

18 **Q. WHAT EVIDENCE DOES QWEST PROVIDE REGARDING THE**  
19 **NUMBER AND SIZE OF ALTERNATIVE PROVIDERS OF SERVICES?**

20 A. As Mr. Teitzel explains, Commission records show that 161 CLECs were  
21 registered with the Commission as of March 3, 2003.<sup>3</sup> In 2002, Qwest and  
22 CLECs had 152 approved interconnection or resale agreements in effect. The  
23 number of interconnection agreements between Qwest and CLECs is an indicator  
24 of the number of alternative providers.

25 Qwest's evidence in this case is substantially based on the quantities of wholesale  
26 services purchased by alternative providers to compete with Qwest's retail basic

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<sup>3</sup> Commission website, [www.wutc.wa.gov](http://www.wutc.wa.gov). Competitive Local Exchange Regulated by WUTC, March 3, 2003.

1 business services. In Exhibit MSR-3, I provide a list of competitors that purchase  
2 unbundled loops, unbundled network element platforms (UNE-P), and/or resold  
3 business services.<sup>4</sup>

4 **Q. WHY IS THERE A DIFFERENCE BETWEEN THE NUMBER OF CLECS**  
5 **REGISTERED WITH THE COMMISSION, THE NUMBER OF CLECS**  
6 **WITH WHICH QWEST HAS INTERCONNECTION AGREEMENTS,**  
7 **AND THE NUMBER OF CLECS IN EXHIBIT MSR-3?**

8 A. That there is a difference between the number of CLECs registered with the  
9 Commission and the number that have interconnection agreements with Qwest is  
10 probably due to some CLECs operating exclusively outside Qwest's territory.  
11 The difference between CLECs that have interconnection agreements with Qwest  
12 and the CLECs in Exhibit MSR-3 is that CLECs that have interconnection  
13 agreements with Qwest include both CLECs that purchase unbundled loops,  
14 UNE-P and resold services, and those CLECs that provide service via their own  
15 loop facilities.

16 **Q. WHAT EVIDENCE DOES QWEST PROVIDE REGARDING THE**  
17 **EXTENT TO WHICH SERVICES ARE AVAILABLE FROM**  
18 **ALTERNATIVE PROVIDERS IN THE RELEVANT MARKET?**

19 A. In Exhibit MSR-4, I provide a matrix that compares Qwest's tariffed basic  
20 business exchange services to CLEC price listed business services.<sup>5</sup> The matrix  
21 clearly indicates that the CLECs offer comparable services at comparable prices  
22 in the relevant market. Virtually all of the CLEC price lists contain language to

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<sup>4</sup> Exhibit MSR-3 is also Attachment C to Qwest's Petition.

<sup>5</sup> Exhibit MSR-4 is also Attachment D to Qwest's Petition.

1 the effect that service is available where facilities exist. If indeed it is the case  
2 that the CLECs will offer service where facilities are available, and such facilities  
3 are available anywhere Qwest currently offers service, then CLEC services are  
4 available everywhere Qwest services are available.<sup>6</sup> Consequently, I disagree  
5 with the Joint CLECs' representation that "... Qwest concedes that no  
6 competition exists in at least five of its exchanges."<sup>7</sup> Qwest concedes no such  
7 thing. By the terms of the CLECs' own price lists, services are available from  
8 them in each and every wire center served by Qwest. All Qwest's petition reveals  
9 about the five wire centers cited by the Joint CLECs is that, to date, no resale,  
10 UNE-P, or unbundled loop services have been ordered by competitors in these  
11 wire centers.

12 **Q. WHAT EVIDENCE DOES QWEST PROVIDE REGARDING THE**  
13 **ABILITY OF ALTERNATIVE PROVIDERS TO MAKE**  
14 **FUNCTIONALLY EQUIVALENT OR SUBSTITUTE SERVICE READILY**  
15 **AVAILABLE AT COMPETITIVE RATES, TERMS AND CONDITIONS?**

16 A. The matrix in Exhibit MSR-4 is partially responsive to this question. That matrix  
17 provides evidence that CLEC price lists contain similar services at similar rates.  
18 Regarding the underlying service provisioning, alternative providers have a  
19 variety of methods available to offer services to business customers. They can  
20 build their own facilities, purchase unbundled network elements from Qwest and  
21 resell Qwest's retail business services. As previously explained, Qwest's Petition

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<sup>6</sup> Each of the thirty-two CLEC price lists detailed in Exhibit MSR-4, contains language similar to 'service is available where facilities permit.'

<sup>7</sup> Docket No. UT-030614, Joint CLEC Response to Qwest Petition for Competitive Classification, page 2, May 19, 2003.

1 focuses mainly on the ability of CLECs to provision services via unbundled  
2 network elements and resold services purchased from Qwest.

3 Qwest's basic business exchange services are available to resellers at a wholesale  
4 discount of 14.74% from the recurring retail rate and a discount of 50% from the  
5 nonrecurring retail rate. These discounts were established by the Commission in  
6 the generic cost proceedings.<sup>8</sup> By reselling Qwest's retail services, CLECs have  
7 the ability to reach every single business customer that Qwest now serves.

8 Alternative providers can also provision business services by combining Qwest's  
9 unbundled network elements (UNEs) (e.g., unbundled loops) with their own  
10 elements or those of a third party. CLECs may also provision retail business  
11 services solely from Qwest's wholesale services, utilizing UNE-P, which provides  
12 a complete retail service using Qwest's unbundled network elements.<sup>9</sup> As with  
13 resale, UNE-P allows the alternative provider to reach every location to which  
14 Qwest has facilities. Qwest's rates for UNEs have been established by the  
15 Commission in various cost dockets.<sup>10</sup> These rates are based on forward-looking  
16 costs and are independent of Qwest's retail rates.

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<sup>8</sup> *In the Matter of the Pricing Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and Resale*, Dockets No. UT-960369, et al., Eighth Supplemental Order, April 16, 1998, at pages 98-99.

<sup>9</sup> The unbundled network elements included in the UNE platform include a loop, a switch line port, shared transport and local switching usage components, and features.

<sup>10</sup> *In the Matter of the Pricing Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and Resale*, Dockets No. UT-960369, et al., *In the Matter of the Continued Costing and Pricing of Unbundled Network Elements, Transport, and Termination*, Docket No. UT-003013, *In the Matter of the Review of: Unbundled Loop and Switching Rates; the Deaveraged Zone Rate Structure; and Unbundled Network Elements, Transport, and Termination*, Docket No. UT-023003.

1 **Q. IF A CLEC'S PRIMARY SOURCE OF SERVICE PROVISIONING IS**  
2 **QWEST, HOW CAN IT BE ASSURED THAT IT WILL RECEIVE**  
3 **NONDISCRIMINATORY TREATMENT FROM QWEST?**

4 A. Ordering procedures and installation and repair service intervals for UNEs and  
5 resale are documented in Qwest's SGAT and were reviewed by the Commission  
6 during Qwest's 271 proceeding (Docket Nos. Ut-003022/UT-003040). Although  
7 provisioning parity is not a requirement for competitive classification of a service,  
8 Qwest was recently required to demonstrate provisioning parity in conjunction  
9 with its 271 application. In that proceeding the Commission found Qwest's  
10 operation support systems to be non-discriminatory and found that the Qwest  
11 Performance Assurance Plan will provide adequate assurance that the local  
12 market Washington will remain open to competition.<sup>11</sup> Mr. Teitzel discusses  
13 Qwest's market-opening activities related to its 271 application in more detail in  
14 his testimony.

15 **Q. ISN'T THERE A VALID CONCERN THAT THE FCC'S PENDING**  
16 **TRIENNIAL REVIEW ORDER MIGHT JEOPARDIZE ACCESS TO**  
17 **UNE-P, WHICH CONSTITUTES A SIGNIFICANT PORTION OF THE**  
18 **COMPETITIVE EVIDENCE QWEST HAS PRESENTED IN SUPPORT**  
19 **OF ITS PETITION?**

20 A. No. The ongoing availability of UNE-P as a service option will be the subject of  
21 a Commission review process to determine whether economic or operational  
22 impairment of competition would occur if the requirement to offer UNE-P is

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<sup>11</sup> *In the Matter of the Investigation Into U S WEST Communications, Inc.'s Compliance With Section 271 and SGAT Pursuant to Section 252(f) of the Telecommunications Act of 1996*, Docket No. UT-003022/UT-003040, 39<sup>th</sup> Supplemental Order; Commission Order Approving SGAT and QPAP, and Addressing Data Verification, Performance Data, OSS Testing, Change Management, and Public Interest at page 104, July 1, 2002.

1 eliminated.<sup>12</sup> Qwest does not believe that this action in any way affects the  
2 validity of its petition. If the Commission decides that impairment would occur if  
3 the product is eliminated, the product will continue to be offered for a period of  
4 time. If the Commission decides impairment would not occur if the product is  
5 discontinued, such a finding is proof that the product is not required to sustain  
6 competition. Mr. Shooshan addresses this subject in more detail in his testimony.

7 **Q. WHAT EVIDENCE DOES QWEST PROVIDE REGARDING OTHER**  
8 **INDICATORS OF MARKET POWER, INCLUDING MARKET SHARE?**

9 A. Qwest has provided extensive evidence of CLECs purchasing a total of 104,019  
10 basic business access lines from Qwest. This includes 7,275 resold basic business  
11 lines, 51,576 unbundled loops, and 45,168 UNE-P lines. As illustrated in Table A  
12 in Mr. Teitzel's direct testimony, CLECs are purchasing these services to  
13 provision retail business services to end users throughout all areas of Washington.

14 A comparison of the CLEC purchased business lines as shown in Table A in Mr.  
15 Teitzel's testimony to Qwest's retail basic exchange lines provides an indicator of  
16 *minimum CLEC market share*. Total market share would also include business  
17 exchange lines that CLECs provision over their own loop facilities. Because  
18 Qwest does not have access to CLEC data, Qwest's analysis estimates only the

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<sup>12</sup> FCC Press Release, February 20, 2003: "FCC Adopts New Rules For Network Unbundling Obligations Of Incumbent Local Phone Carriers . . . 3. The Commission finds that switching - a key UNE-P element - for business customers served by high-capacity loops such as DS-1 will no longer be unbundled based on a presumptive finding of no impairment. Under this framework, states will have 90 days to rebut the national finding. For mass-market customers, the Commission sets out specific criteria that states shall apply to determine, on a granular basis, whether economic and operational impairment exists in a particular market. State Commissions must complete such proceedings within 9 months. Upon a state finding of impairment, the Commission sets forth a 3-year period for carriers to transition off of UNE-P."

1           *minimum CLEC market share.* Table B in Mr. Teitzel's testimony identifies the  
2           minimum CLEC market share on a geographic and statewide basis.

3           On a statewide aggregate basis, the minimum market share for CLEC basic  
4           business services in Qwest territory is 17%. When viewed geographically, CLEC  
5           minimum market share ranges from 7% to 22%. Qwest also provided an analysis  
6           of the underlying data at the exchange level in Confidential Attachments F1 and  
7           F2 to the Petition.

8       **Q.    WHAT EVIDENCE DOES QWEST PROVIDE REGARDING GROWTH**  
9       **IN MARKET SHARE?**

10      A.    A comparison of year-end 2001 and 2002 data demonstrates a significant overall  
11      positive growth trend in CLEC market share.<sup>13</sup> I also provide further detail  
12      regarding the growth of CLEC use of wholesale services in Confidential Exhibit  
13      MSR-5C.<sup>14</sup>

14

| Service         | 12/31/01 | 12/31/02 | % Change |
|-----------------|----------|----------|----------|
| Business UNE-P  | 31,245   | 45,168   | 45%      |
| Business Resale | 12,287   | 7,275    | (41%)    |
| Subtotal        | 43,532   | 52,443   | 20%      |
| Unbundled Loops | 35,337   | 51,576   | 46%      |
| Total           | 78,876   | 104,019  | 32%      |

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<sup>13</sup> The 32% increase in this table reflects only the percentage increase in the aggregate number of UNE-P, resold services, and unbundled loops from 12/31/01 to 12/31/02. Actual increase in CLEC market share is slightly higher, or 36%, based on an increase in minimum CLEC market share from 12/31/01 to 12/31/02 of 12.5% to 17%.

<sup>14</sup> Confidential Exhibit MSR-5C is also Attachment B to Qwest's Petition.

1 A transition from resale to UNE-P services is reflected in the 41% decrease in  
2 resold services and the 45% increase in UNE-P business services. Notably, the  
3 largest growth was in unbundled loops that increased by 46%. This trend is  
4 indicative of increased facilities based competition. Other data are also indicative  
5 of increased facilities based competition:

6

| Service                | 12/31/01           | 12/31/02           | % Change |
|------------------------|--------------------|--------------------|----------|
| Interconnection Trunks | 166,213            | 210,858            | 27%      |
| Exchanged Traffic*     | 1,366 million MOUs | 2,150 million MOUs | 57%      |

7

8

\* Local and EAS minutes of use exchanged over interconnection trunks.

9 Interconnection trunks are used by CLECs utilizing their own loop facilities to  
10 connect their local switch to Qwest's switch for the purpose of exchanging local  
11 calling traffic between the CLEC's end users and Qwest subscribers.

12 **Q. WHAT EVIDENCE DOES QWEST PROVIDE REGARDING EASE OF**  
13 **ENTRY?**

14 A. By using Qwest's facilities, CLECs can enter the market with ease. As previously  
15 discussed, ordering procedures, installation and repair intervals, and prices have  
16 been approved by the Commission. Converting business customers from Qwest  
17 to a competitor utilizing Qwest's facilities is inexpensive and fast. The following  
18 examples illustrate the charges and timeframes for a CLEC to convert a Qwest  
19 retail POTs business customer to competitive CLEC service.<sup>15</sup>

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<sup>15</sup> These examples assume that the customer maintains service "as is" and the CLEC submits a mechanized LSR before Noon Mountain Time.

1           Qwest retail business customer converts to CLEC resold service:

2           POTs Customer Transfer Charge (nonrecurring)  
3           First Line:                 \$5.73\*  
4           Additional Line:             \$5.61\*  
5           Conversion Completed:     Same business day  
6           \*Rates filed in Advice No. 3397T<sup>16</sup>

7           Qwest retail business customer converts to CLEC UNE-P service

8           UNE-P POTs Conversion Charge (nonrecurring)  
9           First Line:                 \$0.27\*  
10          Additional Line:            \$0.14\*  
11          Conversion Completed:     Same business day  
12          \*Rates filed in Advice No. 3397T<sup>17</sup>

13          Qwest retail business customer converts to CLEC facilities; CLEC purchases  
14          unbundled loop

15          Basic installation without testing (nonrecurring)  
16          First Loop                    \$37.53  
17          Additional Loops             \$34.78  
18          Installation: Quick Loop, (1-24 lines) - 3 business days

19          Clearly, when competitors can switch Qwest's basic business customers located  
20          anywhere in the state to comparable business service for as little as \$0.27, and  
21          with same day service, competitive alternatives are reasonably available  
22          throughout Qwest's territory.

23          CLECs are currently provisioning retail business basic exchange service over  
24          Qwest's facilities in all but five Qwest exchanges. Those exchanges are: Easton,  
25          Elk, Green Bluff, Liberty Lake, and Northport. Although CLECs are not  
26          currently serving customers in those exchanges over Qwest's facilities, it is not  
27          due to lack of alternative providers or facilities, high costs or any other  
28          perceivable barriers to entry. As has been demonstrated, CLECs can serve any

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<sup>16</sup> Advice No. 3397T filed April 18, 2003 (Compliance filing in Docket No. UT-003013, Part B).

<sup>17</sup> *Id.*

1 customer that Qwest serves over Qwest's facilities. CLEC price lists offer basic  
2 business service throughout the state. RCW 80.36.330 provides that effective  
3 competition means that the company's customers have "reasonably available  
4 alternatives." Reasonably available alternatives do exist in Easton, Elk, Green  
5 Bluff, Liberty Lake and Northport and because such alternatives can be  
6 implemented virtually instantaneously, they represent effective competition to  
7 Qwest.

8 **Q. HOW DO YOU RESPOND TO THE JOINT CLECS' CONTENTION**  
9 **THAT "...QWEST, [IN ITS PETITION], SUBSTANTIALLY**  
10 **UNDERSTATES THE COSTS ASSOCIATED WITH OBTAINING**  
11 **ACCESS TO UNBUNDLED LOOPS?<sup>18</sup>**

12 A. Joint CLECs miss the point of Qwest's representation. Certainly there are more  
13 expensive options for obtaining access to unbundled loops, such as "hot cuts," but  
14 Qwest's purpose in addressing the "ease of entry" was to provide the minimum  
15 nonrecurring cost thresholds and installation intervals for the various wholesale  
16 services cited in its Petition. A significant number of unbundled loops are ordered  
17 via the basic installation option. Further, although Qwest acknowledges that  
18 unbundled loops require collocation for connectivity to CLEC facilities, it has no  
19 knowledge of the average overhead costs associated with collocation, but would  
20 assume that CLECs can effectively recover such costs based on the significant  
21 quantity of unbundled loops in the state.

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<sup>18</sup> Docket No. UT-030614, Joint CLEC Response to Qwest Petition for Competitive Classification, page 4, May 19, 2003.

1 **Q. JOINT CLECS ALSO QUESTION QWEST'S CLAIM THAT CLEC**  
2 **MARKET SHARE HAS GROWN BY 32%, SUGGESTING THAT THE**  
3 **INCREASE IN MARKET SHARE CANNOT BE DETERMINED**  
4 **WITHOUT USING QWEST'S BUSINESS LINE QUANTITIES FOR THE**  
5 **TWO TIME PERIODS. DO YOU AGREE?**

6 A. Yes, I do. In its Petition, Qwest inadvertently referred to the percentage growth in  
7 wholesale service quantities, or 32%, as the growth in CLEC market share. I have  
8 corrected this reference in my testimony and clarified the calculation in footnote  
9 15. The actual growth in *minimum CLEC market share*, as that term has been  
10 used previously in my testimony, is 36%.<sup>19</sup> Obviously, the 36% growth rate is  
11 more than the 32% originally referenced, providing substantial support for  
12 Qwest's contention that there is significant growth in competitive market share in  
13 the relevant market.

14 **Q. ARE YOU AWARE OF ANY OTHER ACTIVITY IN THIS DOCKET**  
15 **REGARDING THE ASSEMBLY OF COMPETITIVE DATA FOR THE**  
16 **SERVICES FOR WHICH QWEST SEEKS COMPETITIVE**  
17 **CLASSIFICATION?**

18 A. Yes. On June 12, 2003, Commission Staff filed a Motion requesting the  
19 Commission to order CLECs to produce information regarding the services they  
20 offer that compete with the services for which Qwest seeks competitive  
21 classification. Qwest supports Staff's Motion on the basis that the additional  
22 evidence sought by Staff will only bolster Qwest's case.

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<sup>19</sup> The actual calculation of the 36% growth in CLEC market-share is based on the following data: Qwest basic business exchange access lines: 2001 – 550,329, 2002 – 520,635; CLEC basic business access lines provisioned via UNE-P, unbundled loops, and resale; 2001 – 78,876, 2002 – 104,019.

1           **V.       WHOLESALE / RETAIL SERVICE PRICE COMPARISON**

2   **Q.       HAS QWEST CONDUCTED ANY ANALYSES TO COMPARE THE**  
3           **WHOLESALE PRICES PAID BY CLECS WITH THE RETAIL RATES**  
4           **QWEST CHARGES ITS CUSTOMERS FOR BASIC BUSINESS**  
5           **EXCHANGE SERVICES?**

6   A.       Yes. On June 6, 2003, Staff formally served data requests on Qwest requesting  
7           information regarding the average revenue per line received for the various basic  
8           business exchange services for which Qwest is seeking competitive classification  
9           in this proceeding. Based on Qwest's responses to those data requests, I have  
10          developed Confidential Exhibit MSR-6C that compares the recurring prices that  
11          CLECs pay for the unbundled loop and UNE-P services to the recurring rates and  
12          average revenue per line Qwest receives from its retail customers for the basic  
13          business exchange services and ancillary features and services.

14 **Q.       WHAT DOES YOUR ANALYSIS REVEAL?**

15 A.       It reveals that Qwest's recurring retail rates for basic business exchange services  
16          and the accompanying revenue streams associated with ancillary services exceed  
17          the wholesale UNE rates charged to CLECs by a significant margin. Obviously,  
18          the level of margin that a CLEC can achieve will be based on the services ordered  
19          (i.e., unbundled loop or UNE-P) and its own expenses in provisioning the basic  
20          exchange service and any ancillary features and services that accompany that  
21          product.

22 **Q.       WHICH NUMBERS IN EXHIBIT CONFIDENTIAL MSR-6C ARE**  
23          **COMPARABLE?**

1 A. The total column for the UNE-P elements and prices can be compared to the total  
2 column for the basic business services to determine the price/average revenue  
3 differential between the wholesale and retail services. The average per line toll  
4 and switched access revenue represent Qwest's estimated retail average per line  
5 business revenue streams for these products and thus represent additional  
6 potential revenue streams available to CLECs provisioning such services.

7 **VI. CONCLUSION**

8 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

9 A. My testimony provides an overview of Qwest's request for competitive  
10 classification of basic business exchange telecommunications services pursuant to  
11 RCW 80.36.330 and WAC 480-121-062. Qwest's Petition seeks to have flat and  
12 measured business exchange service, private branch exchange (PBX) trunks,  
13 Centrex services, and vertical business features competitively classified statewide.

14 The key requirement for competitive classification, found in RCW 80.36.330, is  
15 that the service be subject to effective competition, or, more specifically, that  
16 reasonably available competitive alternatives exist for the service. Qwest  
17 provides evidence of competition to satisfy the statutory requirement in  
18 accordance with the Commission's prescribed review factors from WAC 480-  
19 121-062.

20 The primary focus of Qwest's competitive evidence is the quantities of  
21 unbundled loops, UNE-P, and resold services purchased by competitors to  
22 compete with Qwest's basic business exchange services. In accordance with the

1 Commission's factors for review, Qwest offers evidence that over 35 CLECs are  
2 providing competing services using Qwest's wholesale services, representing a  
3 minimum CLEC market share of 17% statewide. To show the pervasiveness of  
4 competition, Qwest provides its evidence on a regional, exchange and wire-  
5 center basis that reveals competitors purchasing some form of wholesale services  
6 in 106 out of 111 Qwest wire-centers. Qwest also provides evidence on how the  
7 use of unbundled loops, UNE-P and resold services has grown by 32% between  
8 2001 and 2002 and how CLEC market share has grown during the same period  
9 by 36%. Finally, Qwest provides evidence regarding ease of entry that shows  
10 that neither installation price nor installation interval poses any barriers to entry  
11 for competitors purchasing Qwest's wholesale services.

12 My testimony also compares the prices Qwest charges for its wholesale services  
13 to the prices it charges for its retail services. Confidential Exhibit MSR-6C  
14 reveals that Qwest's recurring retail rates for basic business exchange services  
15 and the accompanying revenue streams associated with ancillary services exceed  
16 the wholesale UNE rates charged to CLECs by significant margin. This margin  
17 should allow competitors the ability to competitively price their services and yet  
18 cover their operating and overhead expenses.

19 **Q. HAS QWEST MET THE STATUTORY REQUIREMENTS FOR**  
20 **COMPETITIVE CLASSIFICATION OF ITS BASIC BUSINESS**  
21 **EXCHANGE SERVICES?**

22 A. Yes. In its Petition, and as further described in my testimony and the testimony of  
23 Mr. Teitzel and Mr. Shooshan, Qwest has provided proof that reasonably  
24 available alternatives exist for its basic business exchange services and that it does

1 not hold a captive customer base for these services. The proof that Qwest  
2 provides not only shows the existence of competition in virtually every wire  
3 center served by Qwest, it shows that no barriers to entry exist for competitors  
4 wishing to use these wholesale services as their basis to compete. Qwest has also  
5 provided pricing information showing that sufficient margins exist between  
6 wholesale and retail service prices for competition to occur.

7 The evidence Qwest has provided in its Petition represents only minimum CLEC  
8 market share data. This is because Qwest does not have access to competitive  
9 data for customers served by CLECs using their own loop facilities and does not  
10 have data from other types of competitive providers. Through the testimony of  
11 Mr. Teitzel, however, Qwest has provided a review of several other forms of  
12 competition including wireless and VoIP. Although Qwest believes that standing  
13 alone, its Petition warrants Commission approval, the documented existence of  
14 significant competition from CLECs' own loop facilities, wireless providers and  
15 VoIP providers signifies that Qwest's Petition represents only a portion of the  
16 available alternatives for basic business exchange services in Washington.

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

18 A. Yes, it does.