

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In the Matter of the)
)
Continued Costing and Pricing of)
Unbundled Network Elements,)
Transport, and Termination)

DOCKET NO. UT-003013
Part D

SECOND AMENDED DIRECT TESTIMONY OF

DON PRICE

ON BEHALF OF

WORLDCOM, INC.

Dated: March 7, 2002

1 **INTRODUCTION**

2 **Q. Please state your name, title, and qualifications.**

3 A. My name is Don Price. I am employed by WorldCom, Inc.¹ as Senior Manager -
4 Competition Policy in the Western Region Public Policy Group. I have more than
5 20 years experience in telecommunications, most of which is in the area of public
6 policy. I have been in various public policy positions with WorldCom, through the
7 merger with MCI, for the past 15 years. Prior to that, I was on the Staff of the
8 Public Utility Commission of Texas for three years during the period immediately
9 following divestiture. I began my career in telephony in 1979 with the GTE
10 operating company in Texas -- General Telephone Company of the Southwest --
11 after receiving my Master of Arts degree from the University of Texas - Arlington.
12 During my five years with GTE, I worked in various positions of increasing
13 responsibility in the group whose function was the planning of central office and
14 outside plant facilities. In my present position, I have broad responsibilities in
15 developing and coordinating WorldCom's regulatory and public policy initiatives,
16 requiring that I work closely with many different organizations in the company,
17 including regulatory organizations, organizations responsible for the company's
18 network, and those who sell services to customers across all market segments.

19
20 Since passage of the Telecommunications Act of 1996, I have been involved in
21 negotiations on interconnection agreements in regions other than the states

¹ WorldCom Inc. is a holding company and is the parent of various entities certificated in Washington to provide interexchange (i.e., MCI) and local exchange (i.e., MCImetro) services.

1 served by Qwest, and have participated in numerous arbitration proceedings
2 before state regulators in the states served by Southwestern Bell Telephone
3 Company ("SWBT"), BellSouth Telecommunications ("BST"), and Pacific Bell. In
4 addition, I was heavily involved in the so-called "collaborative proceeding" in
5 Texas whereby SWBT ultimately obtained the Texas PUC's blessing for its 271
6 application to the FCC. My detailed qualifications, including all of the
7 proceedings in which I have filed testimony, are included in Exhibit 1 to my
8 testimony.

9
10 **SUMMARY OF TESTIMONY**

11 **Q. Please provide a summary of your testimony.**

12 **A.** In my testimony I address certain issues raised by Qwest's direct case in this
13 matter, as detailed below. At the outset of my testimony, I provide an overview of
14 WorldCom's direct case and explain how the testimonies presented by
15 WorldCom's witnesses fit together. I will also provide a brief critique of Qwest's
16 presentation in this proceeding. For ease of reference, the electronic copy of my
17 testimony has major headers for each issue which, in the "Print Layout" view, the
18 reader can simply "click" to be taken to that portion of my testimony.

19 **OVERVIEW OF WORLDCOM'S PRESENTATION**

20
21 **Q. Would you provide a brief overview of WorldCom's position in this**
22 **proceeding?**

1 A. Yes. As a general matter, WorldCom's testimony will present critiques of several
2 of Qwest's recommendations in this proceeding. I should stress that WorldCom
3 is not taking positions on each and every recommendation presented by Qwest's
4 witnesses. In addressing or raising the issues in the testimonies presented by
5 WorldCom, the Commission should not infer that there are no other issues or
6 problems with Qwest's or Verizon's various proposals in this docket. To the
7 extent other issues are not covered in WorldCom's testimony, the absence of
8 such testimony by WorldCom should not be taken as agreement with Qwest's or
9 Verizon's proposal.

10

11 **Q. Please explain how WorldCom's testimony in this proceeding is organized.**

12 A. WorldCom is presenting testimony by seven witnesses: Peter Gose, Sid
13 Morrison, Tim Gates, Roy Lathrop, Ed Caputo, Michael Lehmkuhl, and me.
14 WorldCom witness Peter Gose provides WorldCom's recommendations
15 regarding appropriate cost factors for use in determining Qwest's nonrecurring
16 charges. WorldCom witness Sid Morrison recommends changes to certain of
17 Qwest's proposed nonrecurring charges. WorldCom witness Tim Gates testifies
18 to certain issues pertaining to Qwest's proposed "branding" rates. In his
19 testimony, WorldCom witness Roy Lathrop presents recommendations regarding
20 the issues of CLEC to CLEC Interconnection, Channel Regeneration, Space
21 Inquiry, Space Optioning, Remote Terminal Collocation and Bona Fide Request.
22 Mr. Caputo's testimony includes a critique of directory assistance, operator
23 services and customized routing. Finally, Mr. Michael J. Lehmkuhl addresses

1 Qwest's pricing of directory assistance listing ("DAL") databases, and its calling
2 name database ("ICNAM" or "CNAM"). My testimony deals with the policy
3 implications of the following issues: remote terminal collocation and packet
4 switching, enhanced extended links, switching vertical features, unbundled
5 network element combinations, the customer transfer charge, "SS7" charges,
6 local tandem switching, branding, and individual case basis pricing.

7
8 **QWEST'S PRESENTATION**

9 **Q. You stated in your summary above that you would present a brief critique**
10 **of Qwest's presentation in this phase of the proceeding. What aspects of**
11 **Qwest's presentation deserve such criticism?**

12 A. I have two primary criticisms of Qwest's presentation herein. The first is that
13 Qwest's testimony is not organized in a manner that allows the reader to
14 determine what recommendations are being made. That is, other than the
15 schedule included as Exhibit TKM-28 to Qwest witness Million's testimony, there
16 is no place where any of the witnesses provide an overview of the relief Qwest is
17 seeking in this proceeding and how that relief ties to its direct case.

18
19 The second criticism is that nowhere in its presentation does Qwest provide the
20 reader with any explanation as to the application of the numerous rate elements

1 contained in Ms. Million's Exhibit TKM-28.² An example of this can be found in
2 the testimony of Qwest witness Kathryn Malone. In her discussion of Qwest's
3 proposed SS7 rates at 11-12, she lists five different proposed recurring rates that
4 are to be "assessed on a per-terminating call basis." Without further explanation,
5 that phrase is meaningless. As this Commission is well aware, Qwest terminates
6 traffic of varying types -- including both interexchange and local calls. Ms.
7 Malone's testimony provides no indication of which type of call is encompassed
8 by her statement. Likewise, even if we were to assume that Ms. Malone
9 intended her statement to be limited only to "local calls," the reader is given no
10 indication as to whether Qwest's intent is to apply the rates to only those local
11 calls originated via one particular service delivery method -- e.g., those calls
12 originated over a UNE-P switch port. Absent additional information that is
13 completely lacking in Qwest's direct case, neither this Commission nor Qwest's
14 would-be competitors can do anything other than speculate as to Qwest's
15 intended application of the SS7 rates discussed by Ms. Malone.³

16
17 Another example can be found in the testimony of Qwest witness Joseph Craig.
18 On the last page of his testimony, Mr. Craig names five rate elements that are
19 encompassed in Qwest's "unbundled packet switching" proposal without
20 providing any explanation as to the application of those rate elements. Again,

² Nor do Qwest's witnesses furnish cross-references to applicable portions of the SGAT that might provide such explanation.

³ Ms. Malone's testimony on "local tandem switching" at pages 3-4 is likewise without any meaningful discussion of when and/or under what conditions the proposed rates would be applied.

1 absent additional information not provided in Qwest's testimony, the reader is left
2 to pure speculation as to the intended application of the proposed rates by
3 Qwest.

4
5 **Q. Why is it so important that Qwest explain how the rates are to be applied**
6 **given that this phase of the proceeding is a cost proceeding?**

7 A. There are a variety of "pieces to the puzzle" which must ultimately be pieced
8 together into a coherent whole. That the Commission has chosen separately to
9 consider the piece parts in separate phases of a larger proceeding in no way
10 diminishes the importance of that objective. For example, although the
11 development of terms and conditions applicable to interconnection and
12 unbundled network elements ("UNEs") Qwest must provide is not within the
13 scope of this phase of the proceeding, those terms and conditions represent a
14 critical "piece of the puzzle." Even the closest scrutiny of Qwest's costing
15 analyses by the Commission in this phase will not achieve the desired public
16 policy objectives if the Commission's findings are not tightly integrated with the
17 other puzzle pieces: i.e., terms and conditions (including application of rates)
18 and how the costs of various functions or elements are translated into rates.

19
20 Furthermore, it is a fundamental tenet of sound cost analysis that every cost
21 study should reflect the manner in which costs are incurred for the function or

1 element under analysis.⁴ Should Qwest be permitted to apply the resulting rates
2 in a manner different from the cost incurrence reflected in the analysis, a possible
3 (perhaps likely) outcome would be overcharging for the function or element. For
4 these reasons, it is important in each phase not to lose sight of the
5 interrelationship between the various puzzle pieces.

6
7 **TESTIMONY ON SPECIFIC ISSUES**

8
9 **Q. Is the remainder of your testimony devoted to specific issues raised in**
10 **Qwest's direct testimony?**

11 A. Yes. I will address the following issues: remote terminal collocation, enhanced
12 extended links, the "customer transfer charge," switching vertical features, UNE
13 combinations, signaling system 7 charges, local tandem switching, branding, and
14 individual case basis pricing.

15
16 **REMOTE TERMINAL COLLOCATION**

17 **Q. Please provide an overview of how this portion of your testimony is**
18 **organized.**

⁴ That is, the cost structure should not be imposed artificially, but rather should be a function of the characteristics of the unit under analysis. An admittedly absurd example would be a cost study of loops that attempted to force a per-call attempt means of analyzing the cost of loops.

1 A. My testimony on remote terminal issues is organized into four separate parts.
2 First, I will provide a brief network overview with an emphasis on the location and
3 function of the remote terminal (“RT”) and explain its increasing importance in the
4 ILECs’ networks. Second, I will explain the relationship between the RT and
5 other issues in this proceeding -- in particular, packet switching.⁵ Third, I will
6 explain why the high cost and administrative issues associated with CLEC
7 access to the RT drives up CLECs’ costs of providing competitive services and
8 thereby lessens the potential for competition with Qwest for a variety of
9 telecommunications services. Finally, I will provide a brief description of Qwest’s
10 packet switching offering and explain the importance of such an offering in a
11 market moving toward high-bandwidth applications.

12

13 **Q. Please describe what you mean by the term “RT.”**

14 A. The term remote terminal (“RT”) denotes a housing for equipment that is
15 “remote” in relation to the ILEC’s Central Office, as depicted graphically in
16 Attachment 2 to my testimony.⁶ The RT is typically contained in a cabinet that
17 can be mounted on a concrete pad, in a controlled environmental vault, or in an
18 underground vault. The role of the RT is evolving. To understand the increasing
19 importance of the RT in the ILECs’ networks, a bit of network history is
20 necessary.

⁵ This discussion will also put into context the “remote collocation” proposals contained in the testimony of Qwest witness Kennedy.

⁶ The term RT sometimes is used to denote the physical location (i.e., the housing), and sometimes to refer to both the location and the equipment.

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For the most part, the historic ILEC network design was made up by numerous wire centers in each metropolitan area. This design was a function of the transmission limitations on copper loops. That is, because of the physical qualities of copper as a conductor of analog electric signals, the “resistance” to signal transmission could be overcome only up to distances of a few miles from the wire center.⁷ During the 1970s, the ILECs began to introduce what they referred to as “pair gain” devices: electronic means of multiplexing up to 24 voice grade loops on a single 4-wire circuit. These devices typically were placed at the junction (terminal) between the distribution (or branch) portion of the loop network and the feeder (or trunk) portion that connected to the wire center.⁸ This “remote terminal” was chosen because of the efficiencies gained in the feeder portion of the loop by multiplexing signals onto a smaller number of copper pairs. Over time, these pair gain devices became more and more sophisticated.⁹ The current generation devices are known as Next Generation Digital Loop Carrier (“NGDLC”) systems, a great number of which now utilize solely optic fiber in the transmission path between the wire center and the RT.

⁷ The term “wire center” is a historic term denoting the point at which all the loops converged in the prototypical ILEC hub and spoke architecture. Often the term “wire center” and central office will be used synonymously, and that location is typically where the ILEC chose to locate its switching equipment. Thus, the terms “wire center,” “central office,” and “switch” are often used to refer to the same physical location(s) in the ILECs’ legacy networks.

⁸ The feeder portion connects the wire center with the remote terminal, while the distribution portion branches off from the RT and runs down the streets or alleys to individual premises.

⁹ The term “slick 96” was coined in reference to one particular model of subscriber line concentrator (“SLC”) system introduced by AT&T.

1 **Q. What is the significance of the proliferation of NGDLC devices at RTs and**
2 **the corresponding increase in use of fiber in the ILECs' feeder loop plant?**

3 A. Perhaps the most obvious significance involves the ability to offer new
4 applications to subscribers and/or increase the number of subscribers to which
5 such applications may be offered. Another, but less obvious, result involves the
6 implications to CLECs for the use of the ILECs' facilities.

7
8 Turning first to the matter of new applications and expanding the reach of such
9 applications, the reader will recall that copper can pass electrical signals only up
10 to certain distances. Technology developed in the 1980s demonstrated that the
11 ILECs' legacy copper networks could be used to pass signals at relatively high
12 speeds for short distances -- and that technology has come to be known as
13 "Digital Subscriber Line" ("DSL").¹⁰ ILECs have deployed this technology in their
14 networks to varying degrees over the past few years. Where the ILEC uses
15 copper in the feeder plant, DSL-based services can be offered to customers who
16 are located (roughly) within three miles of the wire center. Beyond that distance,
17 high-speed signals becomes highly problematic. However, where fiber facilities
18 are used in the feeder portion of the loop plant, the customer's distance from the
19 wire center is no longer a factor: rather, it is the distance between the customer's
20 premises and the RT where the copper portion of the loop terminates that is the
21 determining factor as to whether DSL-based services can be offered. Thus, by

¹⁰ This term is a bit of a misnomer because copper can only transmit analog signals.

1 deploying fiber optic transmission facilities in their loop feeder, ILECs are now
2 able to offer DSL-based services to a larger portion of their customer base.

3
4 A less obvious result of deploying fiber in the feeder plant was described by the
5 FCC in the *UNE Remand Order* as follows:

6 Competitors seeking to offer services using xDSL technology need to
7 access the copper wire portion of the loop. In cases where the
8 incumbent multiplexes its copper loops at a remote terminal to transport
9 the traffic to the central office over fiber DLC facilities, a requesting
10 carrier's ability to offer xDSL service to customers served over those
11 facilities will be precluded, unless the competitor can gain access to the
12 customer's copper loop before the traffic on that loop is multiplexed.
13 Thus, we note that the remote terminal has, to a substantial degree,
14 assumed the role and significance traditionally associated with the
15 central office. (Footnotes omitted.)¹¹

16 This discussion highlights the critical competitive implications of the increasing
17 deployment of fiber in the ILECs' loop plant. Where customers are on "home
18 run" copper loops,¹² a CLEC can offer competing DSL-based services by
19 collocating certain equipment in the ILEC's wire center. From the CLEC's
20 viewpoint, this means the CLEC can use its investment to market its services to
21 all of the buildings and residences connected to that wire center. The
22 introduction of fiber-based DLC systems alters the situation because, in such

¹¹ *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98; Third Report and Order, FCC Order 99-238, released November 5, 1999 ("*UNE Remand Order*"), ¶ 218.

¹² That is, a loop which is copper the entire distance between the customer's premises and the wire center.

1 instances, the CLEC can no longer utilize its investment in the wire center-based
2 collocation to market services to all premises served by that wire center.¹³

3 **Q. Please explain the importance of that fact.**

4 A. To offer DSL-based services, the provider must locate its equipment where the
5 copper portion of the subscriber's loop terminates. In the fiber-based NGDLC
6 situation, that termination occurs at the RT. And there can be numerous remote
7 terminals for each central office. For example, documents obtained from SBC
8 suggest that the number of RTs per wire center averages between 16 and 24.¹⁴
9 So, the CLEC can no longer compete by making one collocation investment in
10 the wire center, but faces the prospect of having to make multiple investments to
11 serve the same potential base of customers.

12

13 **Q. Please explain WorldCom's position on the testimony of Qwest witness
14 Kennedy as it relates to your previous discussion.**

15 A. The purpose of my testimony on the remote terminal issues is not to take issue
16 with the recommendations in Mr. Kennedy's testimony at pp. 8-9. Rather, my
17 testimony is intended to highlight the effect of Qwest's proposed rates. For

13 Potentially, work-arounds may permit CLECs to continue to compete from their wire center-based equipment, but it requires that the ILEC "swing" the customer over to a copper loop, bypassing the fiber feeder. Such a scenario may not be possible if no spare copper is available. And even if spare copper is available, the CLEC may not be able to compete for many customers because of the significantly longer copper loop distance in the CLEC's configuration versus the ILEC.

14 This figure is an average across all of the SBC operating territory, and can be generalized to other ILECs' operations.

1 example, a collocator wishing to serve an area comparable to what Qwest serves
2 from a given a central office would face a nonrecurring cost of \$154,722.88.

3
4 Qwest's proposed nonrecurring charge per standard mounting unit ("SMU") is
5 \$867.19 and the nonrecurring charge for "feeder distribution interface" ("FDI")
6 terminations per 25 pairs is \$558.38.¹⁵ Assume that each central office is served
7 by 16 remote terminals and each remote terminal is connected to 4 FDIs. Each
8 FDI serves approximately 200 to 400 dwelling units, so assuming a CLEC hopes
9 to capture 12.5% to 25% of the addressable market, it would place 50 lines
10 between the FDI and the remote cabinet. Assuming the CLEC would place a
11 PairGain Avidia 3000, which is 10.5 inches high, it would require 6 SMUs. These
12 assumptions result in the following:

13
$$\text{FDI cost} = (\$558.38 \text{ for } 25 \text{ lines} * 2) * 4 \text{ FDIs/RT} * 16 \text{ RTs} = \$71,472.64$$

14
$$\text{Space cost} = (\$867.19/\text{SMU} * 6 \text{ SMUs}) * 16 \text{ RTs} = \$83,250.24$$

15
$$\text{Total nonrecurring costs}^{16} \text{ is } \$154,722.88.$$

16 This ignores the cost of the CLEC's equipment which, for remote collocation
17 means 16 different pieces rather than the use of fewer pieces of equipment,
18 located close together in a central office.

19

¹⁵ See Exhibit TKM-28 at page 1.

¹⁶ This figure excluding Qwest's proposed ICB charge for a Quote Preparation Fee that Mr. Lathrop has recommended be credited against the Space charge, if it is permitted at all.

1 **Q.** Also, I would add a brief point about Qwest witness Craig's use of the term
2 "packet networks." While I do not in general disagree with Mr. Craig's
3 description, it could be interpreted in a way that leads to confusion. For example,
4 a packet "network" can include as one component a single "trunk" configured on
5 a fiber that is used for multiple other purposes. Perhaps another way of saying
6 this is that it is not necessary to use an entire fiber (e.g., OC-12) to create a
7 component of a "packet network." Rather, such a network can be pieced
8 together using capacity on other transmission facilities for at least a portion of the
9 "packet network."

10

11

ENHANCED EXTENDED LINKS ("EELS")

12 **Q. Do you have testimony in response to Qwest witness Kennedy's testimony**
13 **regarding EELs?**

14 **A.** Yes. It is not the purpose of my testimony to criticize the cost studies underlying
15 the EELs transport proposals made by Mr. Kennedy. However, it should be
16 pointed out that transport capacity is transport capacity no matter what sort of
17 label is attached to the particular use of that transport. That is, a given quantity
18 of transport capacity should have the same underlying cost whether it is referred
19 to by Qwest as EEL transport, "direct trunked transport," "unbundled dedicated
20 interoffice transport," or some other name. The use of such different names to
21 describe the same element in Qwest's network simply raises the possibility of
22 confusion and/or discriminatory treatment in its application of either the rates or

1 the terms and conditions. For that reason, I would recommend collapsing the
2 various categories noted above into a single category called "dedicated
3 transport" with rates that vary only by the amount of capacity over the transport.¹⁷

4
5 **Q. Do you have other information to present to the Commission on this issue?**

6 A. Yes. Without question, CLECs lack ubiquitous facilities-based access to local
7 customers in Washington, unlike the incumbent provider, Qwest.¹⁸ Access
8 services are monopoly bottlenecks, controlled to an overwhelming degree by the
9 ILECs. Qwest is the dominant ILEC in all major markets in Washington. I have
10 seen internal analyses showing that even in the most "competitive" metropolitan
11 markets, CLECs (and IXCs) rely heavily on the ILECs for transport facilities. For
12 example, in Dallas, Texas 89 percent of the buildings that WorldCom accesses
13 through special access circuits are only served by SWBT, and the numbers for
14 the St. Louis and Kansas City Missouri markets are in that same range.
15 Information provided to the FCC by SBC corroborates WorldCom's analysis. In
16 the Los Angeles area -- surely one of the largest and most competitive markets --
17 the data provided by SBC shows that competitive carriers ***in the aggregate*** have
18 constructed transport facilities to only slightly more than 1/5th of the ILECs' wire
19 centers in the Los Angeles MSA. This number is even more striking when one

17 Another example is represented by Qwest Kennedy's discussion of the alleged differences between its "EUDIT" and "UDIT" offerings. The distinction is not at all relevant, as Qwest has plainly conducted its cost studies for the EUDIT product in violation of § 319(d)(1)(A) of the FCC's rules, which do not limit unbundled transport to transmission only between ILEC wire centers.

18 See, *In the Matter of the Investigation into U S WEST COMMUNICATIONS, INC.'S Compliance with Section 271 of the Telecommunications Act of 1996*, DOCKET NO. UT-003022, prefiled direct testimony of Don Price, June 7, 2001 at pp. 27-34.

1 considers the massive capital outlays by competitive carriers over the past
2 decade.¹⁹ Although not specific to markets in the State of Washington, these
3 examples of the extent to which carriers must rely on the ILEC's ubiquitous
4 transport facilities strongly suggests that in its territory, Qwest is likewise the only
5 provider of special access services (or the functional equivalent) in the
6 overwhelming majority of instances. As discussed in more detail below in my
7 discussion of switching vertical features, the fact that carriers such as WorldCom
8 rely so heavily on Qwest's facilities makes it imperative that Qwest be required to
9 provide nondiscriminatory access to loop and transport combinations at cost
10 based rates.

11
12 **CUSTOMER TRANSFER CHARGE**

13 **Q. Would you briefly describe the "Customer Transfer Charge" as you**
14 **understand it?**

15 **A.** Yes. As discussed in Ms. Malone's testimony at p. 3, Qwest's proposal is that
16 the Customer Transfer Charge only applies in situations where the CLEC resells
17 certain of Qwest's retail service offerings.

18
19 **Q. Is the purpose of your testimony to challenge the Customer Transfer**
20 **Charge proposed by Qwest in this proceeding?**

¹⁹ In testimony recently provided in a Texas PUC proceeding, one of Southwestern Bell Telephone's witnesses estimated that CLECs spent roughly \$25 Billion in capital outlays in 2000 alone to deploy local telecommunications facilities.

1 A. No, I am not challenging Qwest's proposed Customer Transfer Charge. The
2 purpose of this passage of my testimony is simply to establish for the record that
3 this charge is only applicable in resale situations, and that it has no applicability
4 to UNE combinations such as the loop/switch port combination often referred to
5 as "UNE-P." So long as there is no dispute that this charge only applies to
6 resale, WorldCom is not challenging the level of the rate proposed by Qwest.²⁰

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8

SWITCHING VERTICAL FEATURES CHARGES

9 **Q. What is the purpose of your testimony regarding Qwest's proposed**
10 **switching vertical features charges?**

11 A. This portion of my testimony is comprised of two distinct issues. One is to
12 respond briefly to Ms. Malone's discussion at pp. 7-8 of her testimony.

13

14 **Q. Please explain your position regarding the discussion at pp. 7-8 of Qwest**
15 **witness Malone's testimony.**

16 A. Ms. Malone's testimony notes that Qwest is proposing "a list of vertical features
17 that are available to CLECs that purchase a line side port." Her testimony does
18 not make clear, however, which of the rates in the pricing attachment(s) are
19 being referenced. If she is referencing the features that are included in
20 § 9.11.1.3 of the attachment(s), it appears that all of those features relate only to

²⁰ I should note that WorldCom is challenging certain of the non-recurring charges proposed by Qwest for application to the loop/switch port combination, as discussed more fully below and in the testimony of WorldCom witness Sid Morrison.

1 centrex services and would not be applicable to basic loop/switch port
2 combinations. We have posed discovery to Qwest in an attempt to gain a better
3 understanding of its proposal, and I may be able to modify my testimony once the
4 responses to that discovery have been provided by Qwest.

5
6 **UNE COMBINATIONS**

7 **Q. Please summarize your testimony on the issue of UNE combinations.**

8 A. My testimony on this issue is intended to supplement the testimony of WorldCom
9 witness Sid Morrison, who addresses certain errors and misstatements in
10 Qwest's cost development for its proposed "UNE-P New Connection" non-
11 recurring rates for UNE-P POTS combinations. The purpose of my testimony is
12 to explain the importance of UNE combinations to rapid local competition on a
13 broad geographic basis.

14 **Q. What is the importance of UNE combinations to a geographically broad and
15 rapid introduction of local competition to residential and small business
16 customers?**

17 A. Quite simply, absent availability of UNE combinations at reasonable, cost-based
18 rates, it will be a very long time indeed before residential and small business
19 customers will reap the benefits of competition. As the FCC noted in the UNE
20 Remand Order:

21 We continue to believe that one important purpose of the unbundling
22 provisions of the Act is to permit competitive LECs to compete with the
23 same economies as the incumbents, especially in the early stages of

1 local competition, when their networks are limited in their reach, and
2 their customer bases are necessarily small. ***The incumbent LECs still***
3 ***enjoy cost advantages and superiority of economies of scale,***
4 ***scope, and ubiquity as a result of their historic, government-***
5 ***sanctioned monopolies. These economies are now critical***
6 ***competitive attributes and would belong unquestionably to the***
7 ***incumbent LECs if they had “earned” them by superior***
8 ***competitive skills. These advantages of economies, however,***
9 ***were obtained by the incumbents by virtue of their status as***
10 ***government-sanctioned and protected monopolies. We believe***
11 ***that these government-sanctioned advantages remain barriers to***
12 ***the requesting carriers’ ability to provide a range of services to a***
13 ***wide array of customers, and that their existence justifies placing***
14 ***a duty on the incumbent carriers to share their network facilities.***
15 Indeed, Congress, in section 259 of the Act, recognized expressly the
16 benefits that the incumbent LECs have as a result of their economies of
17 scale and scope. Section 259 requires the Commission to ensure that
18 incumbent LECs make their infrastructure available to qualifying
19 carriers on terms and conditions that permit the qualifying carriers to
20 “fully benefit from the economies of scale and scope of such
21 [incumbent] local exchange carrier.” Although section 259 of the Act is
22 different from section 251 in that qualifying carriers obtaining
23 infrastructure from the incumbent LEC pursuant to a section 259
24 agreement may not use such infrastructure to compete with the
25 incumbent LEC in its service territory, both sections make the
26 incumbent LECs’ broad economies of scale and scope available to
27 other carriers by requiring them to grant other carriers access to their
28 networks.²¹

29 In other words, the extensive and ubiquitous networks of Qwest and Verizon
30 were constructed at the expense of their historic monopoly ratepayers, and with
31 the advantage of having a government-sanctioned monopoly protecting them
32 from competition. Those networks are on the ILECs’ books with valuations in the
33 area of billions of dollars, and cannot possibly be replicated by competitors in any
34 reasonable time frame.

²¹ *In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, CC Docket No. 96-98; Third Report and Order, FCC Order 99-238, released November 5, 1999 (“UNE Remand Order”) at ¶ 86. (Emphasis added, footnotes in original omitted.)

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Thus, the policy question facing this Commission is relatively simple. Does it want to favor one particular provider in a given area (i.e., Qwest in its certificated area and Verizon in its) without regard to the fact that the provider possesses such a huge competitive advantage by virtue of its monopoly heritage? Or, does the Commission want to favor the competitive **process**, whereby neither Qwest nor Verizon is allowed to use its monopoly heritage in such a manner as to frustrate broad-based competition for residential and small business customers? Those are the questions the Commission must keep in mind in deciding what non-recurring charges Qwest will be permitted to charge in certain instances -- i.e., where it claims that there is not "existing combination" of elements for use by CLECs. It is within this context that I ask the Commission to consider the testimony of Mr. Morrison on the issue of UNE combinations.

SS7 CHARGES

Q. What is the dispute over the SS7 charges proposed in the testimony of Qwest witness Malone?

A. As I noted above in my criticism of Qwest's presentation in this proceeding, it is not at all clear what Ms. Malone is proposing. Not only is her testimony on these rate elements opaque, but a review of Qwest's SGAT failed to turn up any corresponding language on which I could rely to interpret her testimony. Because Qwest has failed to provide any sort of meaningful discussion of what is

1 being proposed in this regard, Ms. Malone's recommended SS7 charges should
2 be rejected.

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LOCAL TANDEM SWITCHING

5 **Q. What is your recommendation as to Qwest's proposed local tandem**
6 **switching rates?**

7 A. This is another situation where Qwest's testimony fails to provide any sort of
8 meaningful discussion as to what it is proposing.²² This is another issue on
9 which WorldCom is awaiting responses to discovery before it can finalize its
10 recommendations to the Commission.

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BRANDING

13 **Q. Does WorldCom take issue with Qwest's proposed rates for call branding?**

14 A. Yes. As is more fully discussed in the testimony of WorldCom witness Caputo,
15 WorldCom desires to offer its own operator services and directory assistance
16 services ("OS/DA"). As Mr. Caputo states, however, our ability to do that hinges
17 on whether Qwest complies with its customized routing obligations that will
18 enable traffic to get from an unbundled switch port on Qwest's switch to the
19 trunks WorldCom has deployed to that end office for its use.²³

²² See Malone at pp. 3-4.

²³ The issue of customized routing only applies where WorldCom utilizes the loop/switch port combination (often referred to as UNE-P) to provide local and interexchange services to

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The purpose of my testimony on this issue, in conjunction with the testimony of WorldCom witness Tim Gates, is to highlight for the Commission the costing implications of a failure by Qwest to provide customized routing in the manner prescribed by the FCC. At its essence, the dispute becomes whether Qwest is relieved of its obligation to offer OS and DA as UNEs to CLECs. As the FCC concluded in its UNE Remand Order, that obligation only goes away to the extent Qwest is providing customized routing. Again, that issue is being addressed by Mr. Caputo. To the extent Qwest is not providing customized routing, however, it is obliged to offer OS and DA as UNEs, because in such instances CLECs do not have the practical ability to utilize an alternative to the OS and DA offerings of the ILEC.

In considering this issue in a recent proceeding before the California PUC, it concluded that until the ILEC demonstrates that it is providing customized routing, it would not be permitted to levy a charge on call branding, because the costs of branding are recovered via the charges to the CLEC for OS and DA services. The Final Arbitrator's Report stated:

As Pacific acknowledges, call branding is part of OS and DA. MCI's proposed price [\$0.00] is adopted, until Pacific provides the custom routing MCI is requesting.²⁴

customers. Where WorldCom's customers are served via our own switches, we have no need for customized routing.

²⁴ Application by Pacific Bell Telephone Company (U 1001 C) for Arbitration of an Interconnection Agreement with MCImetro Access Transmission Services, L.L.C. (U 5253 C) Pursuant to

1 Likewise, until this Commission determines that Qwest is providing customized
2 routing and thus meeting its obligation under the FCC's UNE Remand Order,
3 Qwest should not be allowed to recover any charge for branding above its
4 otherwise applicable OS/DA charges. The remainder of WorldCom's testimony
5 on this issue is presented by Mr. Tim Gates.

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7 **INDIVIDUAL CASE BASIS ("ICB") PRICING**

8 **Q. Do you have any comments on the testimony presented by Qwest witness**
9 **Kennedy on the matter of ICB pricing?**

10 A. Yes, I do have a few brief comments. The purpose of this discussion is simply to
11 highlight the potential effect of relying on ICB pricing. Quite simply Qwest has an
12 incentive and ability to manipulate the ICB process in a way that would create for
13 itself an undeserved and artificial competitive advantage -- an advantage that has
14 nothing to do with its being a more capable or efficient competitor. That ability
15 arises because, unlike the cost analyses that are being reviewed in this
16 proceeding, there is no open process or opportunity to review associated with the
17 ICB process. The absence of an open process with participation by the
18 Commission and its Staff creates a circumstance where Qwest could manipulate
19 the results and create the sort of undeserved advantage noted above.

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Section 252(b) of the Telecommunications Act of 1996, Final Arbitrator's Report, issued July 16, 2001. (Affirmed in pertinent part by the *Final Opinion* issued by CPUC on September 20, 2001.)

1

CONCLUSION

2 **Q. Does this end your testimony?**

3 **A. Yes it does.**