

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE PETITION OF )  
QWEST CORPORATION FOR )  
COMPETITIVE CLASSIFICATION )  
OF BASIC EXCHANGE )  
TELECOMMUNICATIONS SERVICES )  
\_\_\_\_\_ )**

**Docket No. UT-030614**

**DIRECT TESTIMONY OF**

**DAVID L. TEITZEL**

**ON BEHALF OF**

**QWEST CORPORATION**

**JULY 1, 2003**

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**I. INTRODUCTION**

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

A. My name is David L. Teitzel. I am a Director in the Qwest Public Policy organization with advocacy responsibilities for retail markets issues, and am located at 1600 7<sup>th</sup> Avenue, Seattle, Washington, 98191.

**II. QUALIFICATIONS**

**Q. PLEASE REVIEW YOUR EDUCATION, WORK EXPERIENCE AND PRESENT RESPONSIBILITIES.**

A. I have been continuously employed by Qwest and its predecessor companies, U S WEST and Pacific Northwest Bell, since 1974, and have held a number of management positions in various departments, including Regulatory Affairs, Network and Marketing. As a Marketing product manager, I was responsible for Basic Exchange, Centrex and IntraLATA long distance services. I have also served as Market Manager for Qwest Dex, with lead marketing responsibilities for Dex directories in the Puget Sound region. I was named to my present position as Director in the Qwest Public Policy organization in 1998, and am responsible for regulatory strategy and advocacy for Qwest retail products and services. I majored in Industrial Psychology and received a Bachelor of Science degree from Washington

1 State University in 1974.

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

3 A. Yes. In 1998, I provided testimony in Docket No. UT-980311(a) regarding Universal  
4 Service. In 1999, I appeared before the Commission in support of Qwest's  
5 Competitive Response program. In 2000, I testified before the Commission in  
6 Docket No. UT-000883 in support of Qwest's Petition for Competitive Classification  
7 of Business Services in Specified Wire Centers. In 2002, I testified on behalf of  
8 Qwest in Docket Nos. UT-003022/UT-003040, Qwest's petition for reentry into the  
9 interLATA long distance market. In addition, I have served as an expert witness in  
10 various dockets in Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska,  
11 New Mexico, North Dakota, Oregon, South Dakota, Utah and Wyoming.

12 **III. SUMMARY OF TESTIMONY**

13 **Q. COULD YOU SUMMARIZE YOUR TESTIMONY?**

14 A. In my testimony, I present evidence showing that Qwest's basic business local  
15 exchange markets are open in Washington, and that competitive alternatives are  
16 readily available throughout Qwest's service territory. On December 23, 2002, the  
17 FCC found that Qwest's local markets in Washington were open to competition,<sup>1</sup> and  
18 that Qwest should be authorized to reenter the interLATA long distance market in the

1 state. The level of local exchange competition has continued to intensify, with  
2 reporting CLECs<sup>2</sup> serving over 406,000 access lines in Washington as of December  
3 2002, an increase of over 20% from December 2001, according to the FCC's latest  
4 Local Competition report released on June 12, 2003. Table 8 of the Local  
5 Competition report is attached to my testimony as Exhibit DLT-2. These CLEC  
6 access lines in Washington are served via all three forms of local competition enabled  
7 by the Telecommunications Act of 1996: resale; unbundled network elements (UNE);  
8 and CLEC-owned facilities. In addition, business customers now have other  
9 competitive choices, such as wireless service and telephony services provided by  
10 Voice Over Internet Protocol (VoIP) companies, to meet their telecommunications  
11 needs. While Qwest's empirical competitive data in this proceeding is based on  
12 CLEC data, it is important that the availability of service alternatives from non-CLEC  
13 providers is recognized. Since these other alternatives are now readily available, a  
14 narrow focus only on CLEC-based competition will understate the actual level of  
15 competition for Qwest's business local exchange services.

16 As stated in Qwest's petition in this proceeding, Qwest does not have direct  
17 knowledge of the total number of access lines served by CLECs via CLEC-owned

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<sup>1</sup> WC Docket No. 02-314, released December 23, 2002.

<sup>2</sup> CLECs serving fewer than 10,000 lines are not required to report the number of lines served to the FCC.

1 facilities. However, Qwest does have the ability to track the quantity of UNE, UNE-  
2 Platform and resold lines provided by Qwest to Washington CLECs. Using only  
3 these categories of lines as shown in Table B of my testimony (*see* page 8),<sup>3</sup> CLECs  
4 “share” of the business local exchange market in Qwest’s service territory in  
5 Washington is, at a minimum, approximately 17%. Effective competition for Qwest’s  
6 local exchange business services now exists and clearly represents sufficient  
7 competition to warrant approval of Qwest’s petition.

8 **IV. CLEC LOCAL EXCHANGE COMPETITION**

9 **Q. HAS QWEST’S BUSINESS LOCAL EXCHANGE RETAIL ACCESS LINE**  
10 **BASE DECLINED OVER THE PAST YEAR?**

11 A. Yes. From December 2001 to December 2002, Qwest’s business local exchange  
12 retail access line base in Washington declined from approximately 706,000 lines to  
13 about 615,000,<sup>4</sup> a decline of 13%. During this same period, according to the FCC’s  
14 latest report on local competition, the total number of statewide residential and  
15 business CLEC access lines in service in Washington increased by 20%.<sup>5</sup> In fact, the

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<sup>3</sup> This data does not include any quantification of business lines served via CLEC-owned loop facilities, wireless services or VoIP providers.

<sup>4</sup> Represents all Qwest access lines associated with business classes of service.

<sup>5</sup> FCC Local Competition Report, Table 8, released June 12, 2003 (Exhibit DLT-2). Note: CLECs serving fewer than 10,000 access lines are not required to report access line data to the FCC. This data also reflects residential and business CLEC access lines, and includes lines served via CLEC-owned loop facilities as well as lines provided by CLECs via wholesale services leased from the RBOCs. The 32% wholesale services increase shown in Mr. Reynolds’ direct

1 FCC's data shows that the CLEC total access line base in Washington has increased  
2 from 138,449 in December 1999 to 406,750 in December 2002, an increase in  
3 excess of 190% over that period.

4 **Q. DO YOU ATTRIBUTE THE ENTIRE DECLINE IN QWEST'S LOCAL**  
5 **EXCHANGE BUSINESS ACCESS LINE BASE TO CLEC**  
6 **COMPETITION?**

7 A. No. Some proportion of this decline can be attributed to substitution of wireless  
8 service for Qwest wireline service, conversion of customers to the currently-available  
9 VoIP offerings, conversion of access lines to Digital Subscriber Line (DSL) service,<sup>6</sup>  
10 and lethargy in the local economy. However, it is indisputable that the CLEC industry  
11 enjoyed double digit growth during 2002 in the state, and, in view of the strong rate of  
12 growth in CLEC access lines in Washington, the bulk of the erosion in Qwest's  
13 access line base can be attributed to CLEC competition.

14 **Q. IS CLEC COMPETITION IN WASHINGTON LIMITED TO ONLY A**  
15 **FEW PRIMARY CARRIERS?**

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testimony is focused solely on CLEC business lines served via wholesale services purchased from Qwest and reflects a subset of the CLEC lines shown in the FCC's report.

<sup>6</sup> During 2002, approximately 3,700 Qwest business DSL services were installed in Washington. However, business customers ordering DSL do not always remove an additional access line upon ordering DSL, and the net effect of DSL conversion on Qwest's access line base is therefore less than this number.

1 A. No. In fact, as of March 2003, the WUTC's website lists a total of 161 CLECs that  
2 have registered with the Commission in this state.<sup>7</sup> As of December 2002, 152 had  
3 interconnection agreements in effect with Qwest. Finally, as of April 30, 2003, a total  
4 of 78 carriers, including national carriers such as AT&T and MCI as well as smaller  
5 carriers such as Integra and Rainier Connect, were actively purchasing wholesale  
6 services from Qwest to serve their Washington customers.

7 **Q. HAVE YOU DETERMINED THAT CLECS ARE SERVING BUSINESS**  
8 **CUSTOMERS THROUGHOUT QWEST'S SERVICE TERRITORY IN**  
9 **THE STATE?**

10 A. Yes. For ease of reference, Qwest has developed a view of the level of CLEC  
11 competition in nine geographic "zones" that encompass Qwest's service territory in  
12 Washington.<sup>8</sup> The CLEC lines in service (excluding customer lines served via CLEC-  
13 owned loop facilities) within each zone, as of December 31, 2002, are displayed in  
14 Table A below:

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<sup>7</sup> Washington Utilities and Transportation Commission web site, [www.wutc.wa.gov](http://www.wutc.wa.gov),  
Competitive Local Exchange Carriers Regulated by WUTC, March 3, 2003.

<sup>8</sup> The nine "zones" are: Central/Eastern, encompassing the Ephrata, Moses Lake and Yakima exchanges; Northeastern, encompassing the Colville, Omak and Coulee Dam exchanges; Peninsula, encompassing the Aberdeen, Bainbridge Island and Bremerton exchanges; Puget Sound, encompassing the Seattle, Bellevue, Kent and Renton exchanges; Southeastern, encompassing the Walla Walla and Pasco exchanges; Spokane, encompassing the greater Spokane exchanges; Bellingham, encompassing the greater Bellingham exchanges; Tacoma, encompassing the Tacoma, Puyallup and Sumner exchanges; and Southwestern, encompassing the Olympia, Vancouver and Longview exchanges.



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**Table A**

GEOGRAPHIC AREA	RESOLD BUSINESS LINES	BUSINESS UNBUNDLED LOOPS	BUSINESS UNE-P <sup>9</sup>	TOTAL CLEC RESALE, UNE LOOP, UNE-P BUSINESS LINES
Bellingham	662	656	2,261	3,579
Central/Eastern	865	940	2,960	4,765
Northeastern	110	0	449	559
Peninsula	737	679	4,846	6,262
Puget Sound	2,312	31,530	16,127	49,969
Southeastern	341	0	1,471	1,812
Spokane	821	4,401	2,262	7,484
Southwestern	918	7,505	6,700	15,123
Tacoma	509	5,865	8,092	14,466
Total	7,275	51,576	45,168	104,019

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Since this data excludes access lines served via CLEC-owned loop facilities, it

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understates the actual number of business CLEC lines in service. However, using the

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above data as a reference point, an estimate of CLEC market share in these geographic

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areas can be developed, as shown in Table B following:

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<sup>9</sup> Business UNE-P lines were derived by comparing residential UNE-P telephone numbers to the telephone numbers shown in the residential white pages listings database, increasing that number by 30% to account for UNE-P residential telephone numbers not listed in the directory, then deducting the UNE-P residential telephone numbers from the total UNE-P in-service count. The remainder is attributed to business service.

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**Table B**

GEOGRAPHIC AREA	TOTAL CLEC RESALE, UNE LOOP, UNE-P BUSINESS LINES (Table A)	QWEST BUSINESS ACCESS LINES*	TOTAL ACCESS LINES IN DEFINED MARKET**	% CLEC <i>MINIMUM</i> MARKET SHARE	% QWEST <i>MAXIMUM</i> MARKET SHARE
	A	B	A+B=C	A/C	B/C
Bellingham	3,579	12,631	16,210	22%	78%
Central/Eastern	4,765	20,311	25,076	19%	81%
Northeastern	559	7,268	7,827	7%	93%
Peninsula	6,262	46,509	52,771	12%	88%
Puget Sound	49,969	233,926	283,895	18%	82%
Southeastern	1,812	14,344	16,156	11%	89%
Spokane	7,484	40,684	48,168	16%	84%
Southwestern	15,123	69,145	84,268	18%	82%
Tacoma	14,466	75,817	90,283	16%	84%
Total	104,019	520,635	624,654	17%	83%

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\* Includes basic business exchange services listed in Attachment A; excludes digital services, hotel screening trunks, payphone access lines and 911 services.  
\*\* Defined Market includes CLEC resold, unbundled loop and UNE-P business lines, plus Qwest business access lines as defined above. (Does not include CLEC business access lines provisioned over CLEC provided loop facilities.)

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The individual wire center-level data, which is also grouped by the geographic areas shown in Tables A and B above and was used to create these tables, is attached to my testimony as Confidential Exhibit DLT-3C. For ease of reference, the wire center-level data displayed in Confidential Exhibit DLT-3C is aggregated at the exchange level in Confidential Exhibit DLT-4C, also attached to my testimony. It is also important to note that the data in Table B does not account for any Qwest business access line losses to CLECs utilizing their own loop

1 facilities,<sup>10</sup> wireless service or VoIP services, both of which are discussed in greater  
2 detail later in my testimony. When all of these factors are considered, Qwest's true  
3 share of the market is lower than the conservative share estimate shown in Table B.

4 **Q. DO YOU HAVE INFORMATION DEMONSTRATING THAT**  
5 **ALTERNATIVE BUSINESS LOCAL EXCHANGE SERVICES ARE**  
6 **AVAILABLE FROM MULTIPLE CLECS IN VIRTUALLY ALL WIRE**  
7 **CENTERS WITHIN QWEST'S WASHINGTON SERVICE TERRITORY?**

8 A. Yes. In Confidential Exhibit DLT-5C, the number of CLECs purchasing resold  
9 services, UNE-Platform services and stand-alone Unbundled Loops as of December  
10 2002 is shown, in addition to the quantity of each type of service purchased. In  
11 addition to confidential treatment of this exhibit, Qwest has taken the additional step of  
12 masking the identity of the individual CLECs to ensure confidentiality is maintained.  
13 This exhibit shows that CLECs are active in all but five Qwest wire centers: Easton, Elk,  
14 Green Bluff, Liberty Lake, and Northport. These are rural exchanges that contain a  
15 total of 686 Qwest business local exchange lines, representing approximately .11% of  
16 total Qwest business lines in the state.

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<sup>10</sup> In Order 02-322 at ¶ 29, for example, the FCC stated, "In Washington, we find that AT&T Communications of the Pacific Northwest, Rainier Cable, Time Warner Telecom of Washington and XO Washington each serve more than a *de minimis* number of end users predominantly over their own facilities and represent "actual commercial alternatives" to Qwest. (December 23, 2002)

1 **Q. IN THESE FIVE WIRE CENTERS, DO CLECS HAVE THE ABILITY TO**  
2 **ENTER THE MARKET AND COMPETE WITH QWEST?**

3 A. Certainly. CLECs have the option of using resale of any Qwest retail product at a  
4 defined resale discount of 14.74% from recurring retail rates and 50% from  
5 nonrecurring retail charges in any Qwest wire center, including these five. Additionally,  
6 UNE-Platform service provides CLECs the opportunity to purchase finished wholesale  
7 services from Qwest at Total Element Long Run Incremental Cost (TELRIC) to serve  
8 business local exchange customers in these exchanges. Additionally, it should not be  
9 ignored that customers in these exchanges have non-CLEC service options to Qwest  
10 local exchange business retail services. For example, wireless services are widely  
11 available, and VoIP service is now available from at least two providers wherever  
12 broadband connections (i.e., cable, satellite or DSL) are available.

13 **Q. DO YOU HAVE ANY OTHER EVIDENCE THAT WOULD SUPPORT YOUR**  
14 **CONTENTION THAT THE COMPETITIVE DATA IN QWEST'S**  
15 **APPLICATION REPRESENTS A CONSERVATIVE VIEW OF THE**  
16 **ACTUAL LEVEL OF CLEC COMPETITION IN WASHINGTON?**

17 A. Yes. As of December 2002, CLECs had 420,305 business E911 records in the  
18 Intrado<sup>11</sup> E911 database associated with business customers within Qwest's service

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<sup>11</sup> Intrado is the third party E911 database administrator for all local exchange providers in Washington.

1 area in Washington. It is important to note that CLECs only report records to Intrado  
2 for customers the CLECs serve by their own switches, using either CLEC-owned loops  
3 or stand-alone UNE loops purchased from Qwest. Customers served via resale or  
4 UNE-Platform services are reported to Intrado by Qwest (since these customers are  
5 served through Qwest's switches). As shown in Table A earlier in my testimony,  
6 Qwest attributed 51,576 unbundled loops to Business local exchange service provided  
7 by CLECs. If this number, which is subsumed in the business E911 record count, is  
8 deducted from the total CLEC facilities-based E911 record total of 420,305, the  
9 remainder of 368,729 represents the approximate number of CLEC E911 records  
10 associated with business customers served via CLEC-owned facilities. This information  
11 suggests that the total of 104,109 CLEC lines shown in Table A is quite conservative  
12 and substantially understates the actual level of CLEC competition in the state.

13 **Q. IF THE CLEC COMPETITIVE DATA SHOWN IN TABLES A AND B IS**  
14 **UNDERSTATED, WHY DIDN'T YOU UTILIZE THE E911 DATA IN YOUR**  
15 **WIRE CENTER-LEVEL ANALYSIS TO MORE FULLY CAPTURE THE**  
16 **ACTUAL LEVEL OF CLEC COMPETITION?**

17 A. Unfortunately, the E911 customer record data is not tracked and reported at the wire  
18 center level by Intrado, nor does Qwest have a means of verifying the precise  
19 relationship between CLEC-self reported E911 records and actual CLEC access line in

1 service. It is, however, a good basis for comparison at the macro level to determine  
2 whether Qwest's competitive measures in this filing are overstated or understated.

3 **Q. DOES THE INFORMATION YOU HAVE PRESENTED ABOUT THE**  
4 **SCOPE OF CLEC-BASED COMPETITION SHOW THAT EFFECTIVE**  
5 **COMPETITION EXISTS FOR QWEST'S LOCAL EXCHANGE BUSINESS**  
6 **SERVICES, EVEN IN THE FIVE EXCHANGES IN WHICH YOU DO NOT**  
7 **HAVE EVIDENCE THAT CLECS ARE CURRENTLY PRESENT?**

8 A. Yes. Were Qwest to increase its business rates in Washington, where CLEC-based  
9 competition is virtually ubiquitous, customers would be incented to move from Qwest to  
10 an alternative provider. Since CLECs are now free to enter any Qwest market, and  
11 may quickly do so using resale or the UNE-Platform service option, a price increase in  
12 the five wire centers in which CLECs are apparently not yet present would encourage  
13 CLECs to actively market their alternative services to customers who may be  
14 displeased with Qwest's prices. The business local exchange market is now open and  
15 must remain so under terms of Qwest's Section 271 approval by the FCC. In an open  
16 market, competitors will react to price changes by another competitor with creative  
17 packaging, attractive prices and active promotions. The open competitive market in  
18 Washington represents effective competition for Qwest's local exchange business  
19 services.

1 **Q. IN YOUR PREVIOUS RESPONSE, YOU REFER TO THE FCC’S FINDING**  
2 **THAT LOCAL EXCHANGE MARKETS IN WASHINGTON ARE NOW**  
3 **OPEN TO COMPETITION. WHAT SPECIFICALLY DID THE FCC STATE**  
4 **IN ITS SECTION 271 ORDER ON THIS POINT?**

5 A. In Order FCC 02-332, released December 23, 2002 concerning Qwest’s application  
6 to reenter the interLATA long distance market in nine states (including Washington), the  
7 FCC stated:

8 In this Order, we grant Qwest’s application for the nine states that are the  
9 subject of its September 30, 2002 application, based on our conclusion that  
10 Qwest has taken the statutorily required steps to open its local exchange  
11 markets in these states to competition.<sup>12</sup>

12 By this order, the FCC found that Qwest’s wholesale service processes<sup>13</sup> and prices  
13 met all requirements to support local exchange competition in Washington.

14 **Q. EVEN THOUGH THE FCC FOUND, AT THE TIME OF ITS REVIEW AND**  
15 **APPROVAL OF QWEST’S SECTION 271 APPLICATION, THAT THE**  
16 **WASHINGTON LOCAL EXCHANGE MARKET WAS FULLY OPEN TO**  
17 **COMPETITION, DOES QWEST NOW HAVE THE ABILITY**

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<sup>12</sup> *Id.*, ¶1.

<sup>13</sup> At ¶33 of its order, for example, regarding Checklist Item 2 – Unbundled Network Elements, the FCC found: “Checklist item 2 of section 271 states that a BOC must provide nondiscriminatory access to network elements in accordance with the requirements of sections 251(c)(3) and 252(d)(1) of the Act. Based on the record, we find Qwest has satisfied the requirements of checklist item 2.”

1           **TO ACT IN AN ANTICOMPETITIVE FASHION TO DRIVE ITS**  
2           **COMPETITORS FROM THE MARKET IN WASHINGTON?**

3           A.     No. In its Public Interest analysis in the Section 271 order cited above, the FCC said:

4                     We conclude that approval of this application is consistent with the public  
5                     interest. From our extensive review of the competitive checklist, which  
6                     embodies the critical elements of market entry under the Act, we find that  
7                     barriers to competitive entry in the application states' local exchange markets  
8                     have been removed, and that these local exchange markets are open to  
9                     competition.<sup>14</sup>

10           The FCC further found that the Performance Assurance Plan (PAP) for each of the nine  
11           states, as well as the FCC's own enforcement authority to discipline Qwest (up to and  
12           including revocation of Qwest's authority to provide interLATA service), ensures that  
13           the local exchange market in Washington will remain open. Regarding assurance of  
14           Qwest's future compliance with post-interLATA entry requirements, the FCC said:

15                     As set forth below, we find that the performance assurance plans (PAP) that  
16                     will be in place in the nine states provide assurance that the local market will  
17                     remain open after Qwest receives section 271 authorization in the nine  
18                     application states.<sup>15</sup>

19           Further, regarding its own enforcement authority under Section 271(d)(6), the FCC  
20           stated:

21                     Section 271(d)(6) of the Act requires Qwest to continue to satisfy the  
22                     “conditions required for...approval” of its section 271 application after the

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<sup>14</sup> *Id.*, ¶420.

<sup>15</sup> *Id.*, ¶453



1 Commission approves its application.<sup>16</sup> We stand ready to exercise our various  
2 statutory enforcement powers quickly and decisively in appropriate  
3 circumstances to ensure that the local market remains open in these states. We  
4 are prepared to use our authority under section 271(d)(6) if evidence shows  
5 market opening conditions have not been maintained.<sup>17</sup>

6 The FCC's directives to Qwest are clear. Local exchange markets in Washington are  
7 now fully open and will remain so.

8 **V. WIRELESS SERVICE COMPETITION**

9 **Q. IS WIRELESS SERVICE NOW A GENERALLY-ACCEPTED MEANS OF**  
10 **PLACING AND RECEIVING TELEPHONE CALLS?**

11 A. Yes. Wireless phones are now widely accepted by business and residential consumers  
12 for voice telephony. In addition, wireless providers are now augmenting their services  
13 with data applications such as dial-up wireless internet access, text messaging and image  
14 transmission to bring additional functionality to their services and attract new customers.

15 **Q. CAN YOU REPORT THE NUMBER OF WIRELESS SUBSCRIBERS IN**  
16 **THE STATE OF WASHINGTON?**

17 A. Yes. According to the FCC's Local Competition report, released June 12, 2003,  
18 there were 2,866,458 wireless units in service in Washington as of December 2002. In  
19 its report, the FCC reported a grand total of 3,960,744 ILEC and CLEC lines in

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<sup>16</sup> *Id.*, ¶510

<sup>17</sup> *Id.*, ¶511

1 service in the state as of December 2002.<sup>18</sup> With these numbers as a basis, the number  
2 of wireless units is now approximately 75% of total wireline access lines in service in  
3 Washington.

4 **Q. FROM THE FCC'S DATA, IS IT POSSIBLE TO IDENTIFY THE NUMBER**  
5 **OF WIRELESS SUBSCRIBERS IN WASHINGTON USING WIRELESS**  
6 **SERVICE STRICTLY FOR BUSINESS PURPOSES?**

7 A. No. Wireless services are not identified by class of service. Rather, the wireless  
8 subscriber simply selects the most appropriate plan for his or her needs, regardless of  
9 residential or business application.

10 **Q. DO YOU MAINTAIN THAT WIRELESS SERVICE IS GENERALLY**  
11 **VIEWED AS A COMPLETE SUBSTITUTE FOR QWEST BUSINESS**  
12 **LOCAL EXCHANGE SERVICES IN WASHINGTON?**

13 A. No. Certainly, specific applications, such as large Centrex or PBX systems, may not  
14 lend themselves to a full wireless application. However, even for large PBX systems,  
15 providers such as Ascendent<sup>19</sup> are now offering systems that enable integration of  
16 wireless phones into a PBX system, and provide the user the ability to use the wireless  
17 phone exactly like a PBX extension (i.e., provides call transfer,

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<sup>18</sup> The FCC's access line counts include all local exchange providers in the entire state, including  
Independents, CLECs and Qwest.

<sup>19</sup> See [www.ascendenttelecom.com](http://www.ascendenttelecom.com), visited April 1, 2003, and June 30, 2003.

1 abbreviated dialing, call hold, multiple station appearance of a call, etc.).

2 **Q. CAN SMALLER BUSINESSES USE WIRELESS SERVICE AS A DIRECT**  
3 **SUBSTITUTE FOR QWEST WIRELINE SERVICE?**

4 A. Yes. Wireless service is a clear alternative to Qwest wireline service for smaller  
5 businesses, especially those that have employees that spend time both in and out of the  
6 office. For example, landscapers and real estate agents are prime examples of the types  
7 of small businesses that rely heavily on wireless service.

8 **Q. WHICH WIRELESS PROVIDERS NOW OFFER SERVICE IN**  
9 **WASHINGTON?**

10 A. A variety of wireless providers now offer service in the state, and in the aggregate,  
11 provide coverage throughout Qwest's service territory. The largest wireless providers  
12 in Washington include AT&T Wireless, Cingular Wireless, Cricket, Nextel, U.S.  
13 Cellular and Verizon.<sup>20</sup>

14 **Q. DO YOU HAVE EVIDENCE OF THE GEOGRAPHIC COVERAGE AREAS**  
15 **OF THE WIRELESS CARRIERS LISTED IN YOUR PREVIOUS ANSWER?**

16 A. Yes. In Exhibit DLT-6, I enclose the current wireless coverage maps for each of the  
17 listed carriers. These maps were obtained directly from the internet web sites of the

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<sup>20</sup> Qwest Wireless also provides service in Washington. However, since Qwest Wireless is a subsidiary of Qwest Corporation, this carrier is not included in this list.

1           respective carriers on June 16, 2003.<sup>21</sup> While the scale and map formats tend to vary  
2           from carrier to carrier, these maps show that certain carriers, such as Verizon, AT&T,  
3           and Cingular serve virtually all of Qwest's service territory in Washington, while U.S.  
4           Cellular, Nextel and Cricket<sup>22</sup> serve varying subsets of Qwest's service territory.

5           **Q.    ARE THE PLANS OFFERED BY THE WIRELESS CARRIERS PRICE-**  
6           **COMPETITIVE WITH QWEST'S BUSINESS LOCAL EXCHANGE**  
7           **SERVICE RATES?**

8           A.    While direct pricing comparisons between wireline service and wireless services are  
9           typically not straightforward, since wireless service is packaged differently than wireline  
10          service (i.e., wireless service typically includes a range of features, free long distance  
11          calling with the "home" coverage area of the provider, is often priced on a "block of  
12          time" basis, etc), wireless service is competitively priced for many business customers.  
13          As a point of comparison, consider that Qwest's flat-rated local exchange business line  
14          is priced at \$32.89 (\$26.89 basic rate plus \$6.00 mandatory Subscriber Line Charge),  
15          excluding any charges for features or intraLATA long distance. Cingular now offers a  
16          wireless calling package of 600 anytime minutes for \$39.99, which includes 3 Way  
17          Calling, Voice Messaging, Call Waiting and Caller ID, as well as "free" long distance

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<sup>21</sup> Wireless provider coverage maps tend to change frequently as the carriers add cell sites to expand coverage.

<sup>22</sup> Cricket currently serves only the greater Spokane area.

1 within Cingular's Washington coverage area.<sup>23</sup> Cricket offers a package of unlimited  
2 local calling, 500 minutes of long distance calling anywhere within the U.S., Caller ID  
3 and 3 Way Calling for \$39.99 per month.<sup>24</sup> Nextel offers a "National Value Plan that  
4 includes 500 anytime minutes and 4,000 night and weekend minutes for \$45.99, which  
5 includes "free" nationwide long distance.<sup>25</sup> AT&T offers a "Next Generation 600" plan  
6 which includes 800 anytime minutes, unlimited night and weekend calling, Caller ID,  
7 Call Waiting, Text Messaging and "free" nationwide long distance.<sup>26</sup>

8 For the small business customer that finds value in the service attributes offered by the  
9 wireless carriers, a few of which are shown in the above examples, wireless service is  
10 clearly an attractive alternative to Qwest's wireline business service.

11 **Q. HAS QWEST CONDUCTED ANY RESEARCH TO ASSESS THE EXTENT**  
12 **TO WHICH BUSINESS CUSTOMERS FIND WIRELESS SERVICE TO BE**  
13 **AN ATTRACTIVE ALTERNATIVE TO WIRELINE SERVICE?**

14 A. Yes. In November 2002, Qwest commissioned separate research studies in Idaho and  
15 Iowa to determine the extent to which Qwest wireline business customers perceive  
16 wireless service to be a reasonable substitute for traditional business

17 \_\_\_\_\_  
<sup>23</sup> [www.onlinestore.cingular.com](http://www.onlinestore.cingular.com)

<sup>24</sup> [www.cricketcommunications.com](http://www.cricketcommunications.com)

<sup>25</sup> [www.nextel.com](http://www.nextel.com)

<sup>26</sup> [www.shopattwireless.com](http://www.shopattwireless.com)

1 wireline service. Interestingly, slightly over 30% of the business respondents in both  
2 surveys reported that they could solely rely on wireless service for the purpose of  
3 making and receiving telephone calls. In addition, slightly over 40% of the business  
4 respondents in both states stated that they believed wireless service is priced the same  
5 or less than comparable business wireline service. While these results are not specific  
6 to Washington, they are specific to Qwest business customers, and show that wireless  
7 service is viewed as being more than a niche service.

8 **Q. IS WIRELESS SERVICE ACTUALLY EFFECTIVE COMPETITION FOR**  
9 **QWEST'S LOCAL EXCHANGE BUSINESS SERVICES?**

10 A. Yes. Qwest does not argue that all business customers would consider switching to  
11 wireless service were Qwest to increase business local exchange service rates in  
12 Washington. However, a significant proportion of Qwest's business customer base  
13 would consider doing exactly that given a compelling price and the current range of  
14 wireless offerings available in Washington.

15 **Q. ARE THERE TECHNOLOGICAL DEVELOPMENTS IN THE NEAR**  
16 **FUTURE THAT WILL INCREASE THE ATTRACTIVENESS OF**  
17 **WIRELESS SERVICE AS A DIRECT SUBSTITUTE FOR QWEST'S**  
18 **BUSINESS LOCAL EXCHANGE SERVICES?**

19 A. Yes. In addition to the rapid augmentation of wireless voice telephony with data-  
20 related applications, as discussed earlier in my testimony, the wireless industry has been

1 mandated by the FCC to implement local number portability by November 2003.  
2 Number portability will not only enable wireless customers to retain their wireless  
3 telephone numbers when discontinuing service from one provider and moving that  
4 service to another wireless provider, it will enable Qwest's wireline customers to retain  
5 their existing Qwest wireline telephone number when disconnecting Qwest wireline  
6 service and establishing substitute service with a wireless carrier.

7 **VI. VOICE OVER INTERNET PROTOCOL (VoIP) SERVICE**

8 **Q. IS VOICE OVER INTERNET PROTOCOL (VoIP) SERVICE NOW**  
9 **AVAILABLE TO BUSINESS CUSTOMERS IN WASHINGTON?**

10 A. Yes. In fact, I am aware of at least four vendors now offering VoIP telephony  
11 applications to business customers in Washington. These four are AT&T, Vonage,  
12 Packet8, and Five Star Telecom (offering service under the "earthphone" trade name).  
13 Exhibit DLT-7 contains excerpts from the web sites of each of these providers offering  
14 highlights of their respective VoIP services.

15 **Q. BRIEFLY, PLEASE EXPLAIN HOW VoIP SERVICE WORKS.**

16 A. Typically, VoIP service involves connection of a hardware device to a broadband  
17 internet connection, which may be provided via fiber, cable, satellite or DSL. When  
18 connected, telephone messages are transmitted to the desired destination via the  
19 internet. Currently, VoIP providers do not pay Switched Access charges for this type

1 of traffic, enabling VoIP providers to offer very low long distance rates. For example,  
2 Vonage offers free long distance within the continental United States, and international  
3 long distance rates from the U.S. to London are \$0.05 per minute. Typically, long  
4 distance carriers charge \$0.30 per minute or more for the same call.

5 **Q. ARE THE VoIP OFFERINGS AVAILABLE IN WASHINGTON PRICED**  
6 **COMPETITIVELY WITH QWEST'S BUSINESS LOCAL EXCHANGE**  
7 **SERVICE?**

8 A. Yes. However, similar to the wireless/wireline pricing comparisons, direct comparisons  
9 between VoIP service and Qwest wireline service are not easily made. Vonage offers  
10 a "Small Business Unlimited" plan, priced at \$49.99 that provides unlimited local and  
11 long distance calling within the U.S., as well as a free fax line, free call waiting, free  
12 voice mail, free call forwarding, free call transfer/three way calling, and free Caller ID.  
13 In addition, Vonage allows its customers to select the area code they would like  
14 assigned to them. For example, a Vonage customer doing significant business volumes  
15 with Los Angeles customers may elect a Los Angeles area code. By so doing, all calls  
16 from Los Angeles customers to the Vonage customer are toll-free.

17 Another example is Packet8's Basic Business Plan, priced at \$59.95. Similar to the  
18 Vonage business offering, this service includes a range of calling features, and includes  
19 4,000 minutes of local and long distance calling within the U.S. and Canada. In  
20 addition, similar to the Vonage offering, Packet8 allows the customer to select the



1 geographic “rate center,” which allows incoming calls from customers in that geographic  
2 area to call the Packet8 customer toll-free. Finally, calls between Packet8 customers  
3 anywhere in the world are always free.

4 For Qwest’s business customers with access to a broadband internet connection, these  
5 services represent a viable and price-competitive alternative to traditional local  
6 exchange business service.

7 **Q. ARE THE VoIP OFFERINGS NOW AVAILABLE LIMITED TO THE**  
8 **SMALL BUSINESS MARKET SEGMENT?**

9 A. No. In fact, as shown in Exhibit DLT-7, Packet8 specifically promotes a service called  
10 the “iPBX Solution,” that “...allows network service providers and PBX resellers to  
11 offer PBX functionality as a business communication service over broadband IP  
12 networks.” The “earthphone” service, offered by Five Star Telecom, can also be used  
13 in concert with PBX service.<sup>27</sup>

14 As shown in Exhibit DLT-7, AT&T now offers a “suite” of VoIP products, including a  
15 service that will support the Cisco IP PBX service. In its March 31, 2003  
16 announcement, AT&T states:

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<sup>27</sup> Five Star states: “earthphones work over dial-up connections can pass through corporate firewalls and connect to PBXs. The latter feature is enabled when one or more earthphones are connected to the trunk lines. This allows mobile workers to talk to colleagues and interconnect offices and conference rooms, again calls are free; they can also break out to the public network and make calls at local or national rates.” (Exhibit DLT-7).

1 By collaborating with Cisco to certify that Cisco Call Manager will interwork  
2 with AT&T's network, AT&T has removed the customer burden of testing to  
3 determine whether their private networks will support a multi-vendor solution.  
4 Customers selecting AT&T's VoIP service with Cisco CallManager will  
5 experience network-based benefits, such as off-net public switched network  
6 interconnection, integrated dialing plans over managed global VPNs, as well as  
7 simplified phone moves, adds and changes during office relocations and/or new  
8 equipment purchase.

9 It is clear that AT&T is targeting this VoIP offering to the mid to large business market.

10 Additionally, Exhibit DLT-8 is a testimonial from an AT&T customer, Apache Hose  
11 and Belting Co, which is a multi-location company with 170 employees. In this  
12 instance, AT&T provided a service called "AT&T Managed Internet Service with  
13 Voice over IP," and the customer reported an "immediate savings of 30 to 40 percent"  
14 with "no noticeable decline in voice quality" as compared to the its traditional wireline  
15 service.

16 **Q. HASN'T THE VOICE QUALITY OF VoIP SERVICE BEEN A MAJOR**  
17 **COMPLAINT OF USERS OF THIS TECHNOLOGY?**

18 A. Yes, the VoIP technology has been in existence for as many as ten years, and was  
19 originally used by savvy internet users to make voice telephone calls to overseas users  
20 with similarly-equipped PCs. The quality of these calls was poor, but the calls were  
21 free. However, internet protocol technology has quickly advanced to the point at which  
22 VoIP calls are virtually indistinguishable in quality from calls made via traditional wireline  
23 connections. The experience of the AT&T customer cited above provides an insight

1 into the level of VoIP call quality. Additionally, as shown in Exhibit DLT-7, Bill Brady,  
2 Director of Business Development for Five Star Telecom says:

3 Historically, Internet Telephony has been associated with poor quality and even  
4 loss of signal. This is no longer the case; the technologies employed by  
5 earthphones result in call quality as good as that of the public network and that  
6 is far superior to cellular. It has to be heard to be believed.

7 While VoIP service quality was an issue in the past, internet protocol technology has  
8 overcome those issues.

9 **Q. ARE YOU AWARE OF ANY RESTRICTION ON THE AVAILABILITY OF**  
10 **VoIP SERVICES FOR BUSINESS CUSTOMERS IN WASHINGTON?**

11 A. No. This service is available to any Washington business customer with access to a  
12 broadband internet connection, provided via coaxial cable, fiber, DSL or satellite.

13 **Q. DOES THE WASHINGTON UTILITIES AND TRANSPORTATION**  
14 **COMMISSION REGULATE PROVIDERS OF VoIP SERVICES?**

15 A. My understanding is that the Washington Utilities and Transportation Commission does  
16 not regulate pure VoIP telephony providers such as Vonage and Packet8. These  
17 providers take care to package and promote their services as being strictly on-premises  
18 hardware and software solutions, and rely on preexisting broadband transport obtained  
19 separately by the customer for origination and termination of telephone calls.

1 **Q. CAN YOU QUANTIFY THE NUMBER OF WASHINGTON BUSINESS**  
2 **CUSTOMERS NOW UTILZING VoIP SERVICES IN LIEU OF QWEST**  
3 **BUSINESS LOCAL EXCHANGE SERVICES?**

4 A. Since the VoIP providers are not regulated and are not required by any agency to  
5 report the size and composition of their customer bases, Qwest has no means of  
6 assessing the number of business customers served by alternative VoIP providers.

7 **Q. HOW HAVE THE VoIP PROVIDERS MADE THE AVAILABILITY OF**  
8 **THEIR SERVICES KNOWN IN WASHINGTON?**

9 A. In addition to the information regarding these providers that is readily available on the  
10 internet, Vonage has run advertising on the major Seattle television stations in 2003  
11 promoting this service. Additionally, Vonage's service was highlighted in an article in  
12 Popular Mechanics in 2002 (see Exhibit DLT-9), stressing the simplicity, quality and  
13 affordability of the Vonage VoIP service.

14 **Q. WHAT SIGNIFICANCE DO YOU ATTRIBUTE TO VoIP SERVICE AS A**  
15 **FACTOR THE COMMISSION SHOULD CONSIDER IN THIS**  
16 **PROCEEDING?**

17 A. It is clear that the competitive paradigm is changing in the business local exchange  
18 market. Like wireless services, VoIP service is now a competitive option business  
19 customers may select to serve their telecommunications needs. While Qwest's  
20 empirical evidence in this proceeding is primarily focused on traditional wireline CLEC-

1 based competition, the evidence set out in the petition and in Qwest's direct testimony  
2 excludes information not directly available to Qwest of the number of lines served by  
3 CLEC-owned loop facilities, wireless services and VoIP services. The availability of  
4 VoIP service, as well as wireless services, as competitive options for business local  
5 exchange customers shows that the competitive data presented in this filing is very  
6 conservative and should provide the Commission a level of comfort that effective  
7 competition exists in the business local exchange market.

8 **VII. CONCLUSION**

9 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

10 A. In my testimony, I demonstrate that CLEC-based competition is now present virtually  
11 throughout Qwest's service territory in Washington, and that effective competition  
12 now exists in this state. Both the FCC and this Commission have found that Qwest's  
13 local business markets are fully open to competition, and that Qwest's markets must  
14 remain open under terms of the FCC order of December 23, 2003 authorizing Qwest  
15 to reenter the interLATA long distance market in Washington. On a conservative  
16 basis, CLECs have captured at least 17% of the basic business local exchange  
17 market in Qwest's service territory in the state, excluding any quantification of lines  
18 served via CLEC-owned facilities, wireless services or VoIP services. Overall, the  
19 number of total CLEC lines in service in Washington increased by over 20% between  
20 December 2001 and December 2002, according to the FCC's latest report on local

1 competition. Over this same time interval, Qwest's business local exchange access  
2 line base declined by 13%. Clearly, business local exchange competition in  
3 Washington is established, and Qwest's competitors are having success in winning  
4 customers from Qwest.

5 **Q. WHAT IS YOUR RECOMMENDATION?**

6 A. I recommend that the Commission approve Qwest's application for business local  
7 exchange pricing flexibility as filed.

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

9 A. Yes, it does.