

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of** )  
 ) **DOCKET NO. UT-033044**  
**QWEST CORPORATION** )  
 )  
**To Initiate a Mass-Market Switching** )  
**And Dedicated Transport Case** )  
**Pursuant to the Triennial Review** )  
**Order** )

**REBUTTAL TESTIMONY OF**

**ARLEEN M. STARR**

**ON BEHALF OF**

**AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST, INC.,  
AT&T LOCAL SERVICES ON BEHALF OF TCG SEATTLE, AND TCG  
OREGON  
(COLLECTIVELY "AT&T")**

**ESTABLISHING THE CROSSOVER POINT BETWEEN THE MASS MARKET  
AND THE ENTERPRISE MARKET**

**February 20, 2004**

1

**I. INTRODUCTION**

2

**Q. HAVE YOU FILED TESTIMONY IN THIS PROCEEDING?**

3

A. Yes. I filed response testimony on February 2, 2004 and also adopted the portion  
4 of the direct testimony of John F. Finnegan filed on December 22, 2003 related to  
5 the DS0/DS1 crossover point.

6

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

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A. The purpose of my testimony is to the respond to the response testimony filed by  
8 Qwest and the Washington Utilities and Transportation Commission Staff  
9 (“Staff”) related to the DS0/DS1 cross over analysis. Specifically, I will respond  
10 to the brief testimony filed by Qwest witnesses, Peter Copeland and Harry M.  
11 Shooshan III, on this topic and the testimony filed by Thomas L. Spinks on behalf  
12 of the Staff.<sup>1</sup>

13

**Q. PLEASE PROVIDE A SUMMARY OF YOUR RECOMMENDATION.**

14

A. The Commission should not rely on the FCC presumption of four lines as  
15 recommended by Qwest and Staff. As explained in detail in my response  
16 testimony, the FCC presumption of four lines is not based on state specific  
17 information. The Triennial Review Order (“TRO”) requires states to perform a  
18 granular analysis to determine the cross over point where it is economically

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<sup>1</sup> Although response testimony was filed by Harry Shooshan III on the topic of DS0 cross over, Mr. Shooshan III does not provide any specific response, but merely refers to Mr. Copeland’s response testimony.

1 feasible for a CLEC to serve a multi-line customer via a DS1 loop. AT&T has  
2 provided the Commission with an objective, quantitative, state specific analysis to  
3 determine the DS1 cross over point for Washington. The result of that analysis  
4 indicates twelve (12) lines is the appropriate DS1 cross over for a multi-line  
5 customer for the state of Washington. The criticisms provided by Qwest of  
6 AT&T's cross over analysis do not alter the 12-line result. For purposes of this  
7 proceeding, the Commission should base its decision on state specific information  
8 and establish a DS1 cross over point of twelve (12) lines. Qwest's and Staff's  
9 recommendation to rely on the FCC presumption of four lines should be rejected.

10 **II. RESPONSE TO QWEST AND STAFF TESTIMONY**

11  
12 **A. RESPONSE TO QWEST'S TESTIMONY**

13  
14 **Q. THE DIRECT TESTIMONY FILED BY QWEST CONCLUDES THE**  
15 **COMMISSION SHOULD CONTINUE TO RELY ON THE FCC**  
16 **PRESUMPTION OF FOUR LINES AS THE CROSS OVER POINT AND**  
17 **DID NOT PROVIDE ANY ANALYSIS. HAS QWEST'S POSITION**  
18 **CHANGED?**

19 **A.** No. Qwest's position remains the same -- the Commission should adopt the  
20 FCC's presumptive DS0 cross over point of 3 lines or fewer for purposes of  
21 delineating the mass market. As provided in more detail in my response  
22 testimony, this is not appropriate. Mr. Copeland's testimony reiterates Qwest's

1 reliance on the FCC presumption, citing to the *TRO* Order, “We expect that in  
2 those areas where the switching carve-out was applicable, the appropriate cutoff  
3 will be four lines absent significant evidence to the contrary. We are not  
4 persuaded, based on this record, that we should alter the Commission’s previous  
5 determination on this point.”<sup>2</sup> Mr. Copeland states that in the absence of contrary  
6 evidence, the FCC relied on, as does Qwest, the four-line presumption.

7 **Q. WHAT IS THE FLAW IN QWEST’S POSITION?**

8 A. Qwest seems to be advocating that this Commission can simply accept the FCC  
9 four-line limit. The Commission cannot follow Qwest’s recommendation. The  
10 *TRO* makes clear that the FCC did not preserve the four-line limit.<sup>3</sup> Rather, the  
11 FCC directed state commissions to conduct a more granular review and determine  
12 the appropriate DS0 cross over point specific to the market being addressed.<sup>4</sup>  
13 AT&T has presented the Commission with this granular evidence. Qwest has not.  
14 There is no record evidence that supports the four-line limit Qwest proposes,  
15 while there is extensive evidence to support the twelve (12) line limit proposed by  
16 AT&T.

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<sup>2</sup> *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, and Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket Nos. 01-338, 96-98 & 98-147, Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, FCC 03-36 (rel. Aug. 21, 2003) (“*Triennial Review Order*” or “*TRO*”) at ¶ 497.

<sup>3</sup> See *TRO*, fn 1546.

<sup>4</sup> See Response Testimony of Arleen M. Starr, February 2, 2004 for more information related to the FCC presumption of four lines and why it directed the states to conduct a more detailed analysis.

1 **Q. YOU STATE THAT AT&T HAS PROVIDED THE COMMISSION WITH**  
2 **A GRANULAR ANALYSIS SPECIFIC TO WASHINGTON. PLEASE**  
3 **EXPLAIN.**

4 A. This analysis was provided in the Direct Testimony of John F. Finnegan  
5 (testimony I have adopted), filed on December 22, 2003. The result of the  
6 analysis demonstrates that when a customer is served by twelve (12) or more lines  
7 at a single location a CLEC should be economically indifferent between  
8 Unbundled Network Element – Platform (“UNE-P”) or DS1 lines to serve that  
9 location. This indicates that a customer with twelve (12) or fewer DS0 lines at a  
10 single location should be included in the mass market for purposes of impairment  
11 analysis.

12 **Q. HAS QWEST PROVIDED ANY CRITICISM OF THE CROSS OVER**  
13 **ANALYSIS PROVIDED BY AT&T?**

14 A. Yes. Although it appears Qwest’s overall conclusion is that performing a cross  
15 over analysis is a complicated task and should not be attempted, Qwest criticizes  
16 AT&T’s analysis, but presents no alternative for this Commission other than the  
17 FCC’s old four-line limit. Qwest states, “This is a non-trivial task, because it  
18 requires performing a business case analysis of serving multi-line customers, and  
19 this entails a credible and consistent examination of expected revenues and

1 costs.”<sup>5</sup> Qwest would have this Commission ignore the directive of the FCC and  
2 rely on a presumption the FCC did not preserve and that is not based on any  
3 specific factual information for a given state or market. Additionally Qwest  
4 states, “the FCC directed that, prior to making a change in the cross over point,  
5 the state commissions must examine a mini-business case at customer locations.”<sup>6</sup>

6 **Q. IS QWEST CORRECT IN ITS CONCLUSION THAT A MINI-BUSINESS**  
7 **CASE ON A CUSTOMER SPECIFIC BASIS BE CONDUCTED?**

8 A. No. The FCC has tasked the state commissions with determining the point where  
9 it makes economic sense for a multi-line customer to be served via a DS1 loop. It  
10 did not direct states to perform the analysis on a customer location basis. Mr.  
11 Copeland seems to imply that this analysis must be performed on a customer-  
12 specific basis. That is not the case. Rather, the TRO requires state commissions  
13 to make a hypothetical regulatory determination regarding when it would be  
14 economically rational to serve customers with a DS1, rather than a DS0. The FCC  
15 requires states to perform a granular cross over analysis for a given market. This  
16 is exactly what AT&T has done. Qwest’s suggestion that a mini-business case  
17 analysis that examines each customer location be conducted is clearly  
18 unreasonable and is not required by the *TRO*.

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<sup>5</sup> Response Testimony of Peter Copeland, Exhibit PBC-7T at 36-37.

<sup>6</sup> Response Testimony of Peter Copeland, Exhibit PBC-7T at 4-5.

1 **Q. QWEST CRITICIZES AT&T'S CROSS OVER ANALYSIS FOR NOT**  
2 **INCLUDING POTENTIAL REVENUE. PLEASE COMMENT.**

3 A. Qwest states that AT&T's analysis ignores the requirement to analyze the  
4 potential review opportunities. That is not correct. It appears that Qwest is  
5 suggesting that some new revenue stream will be available to CLECs  
6 provisioning service via a DS1 that is not available using multi-line POTs service.  
7 AT&T disagrees with this position. In preparing its analysis, AT&T considered  
8 whether there would be any increased revenues and concluded that there is no  
9 reason to assume that the revenue a CLEC could obtain would change based on  
10 the network architecture used to serve a customer, and, therefore, there are no  
11 "additional" revenue to be considered.

12 The same panoply of services are available to multi-line and DS1 customers. For  
13 example, a POTs customer can obtain voices service, features, email, Internet  
14 access and web hosting, just as a DS-1 customer can. So the notion that DS1  
15 opens up a panoply of services that a CLEC could sell to a customer simply by  
16 virtue of the architecture employed, is a fallacy.

17 Qwest has provided no evidence to support a claim that there are any additional  
18 service options available to a DS-1 customer that would not be available to the  
19 multi-line POTs customer. Qwest's criticisms should be rejected.

20

1 **Q. IS A MULTI-LINE POTS CUSTOMER LIKELY TO BE WILLING TO**  
2 **PAY A PREMIUM PRICE TO HAVE ITS TELECOMMUNICATIONS**  
3 **NEEDS SATISFIED VIA A DS1 ARCHITECTURE RATHER THAN**  
4 **MULTIPLE POTS LINES?**

5 A. No. An existing customer with multiple POTS lines is generally not going to be  
6 willing to pay a premium price to have its telecommunications needs satisfied  
7 with a DS1 architecture. Rather, to convince a customer that is currently being  
8 served with multiple POTS lines to leave its current carrier, a carrier that chooses  
9 to serve that customer with a DS1 architecture will likely have to offer the  
10 customer a reduction in the price the customer was paying for  
11 telecommunications services. Customers are much more concerned about the  
12 price they are paying for telecommunications service and the quality of the  
13 service, than the architecture that is used to provide the service. Qwest has  
14 presented no evidence that the DS1 customer would be willing to pay more for the  
15 same service offerings. Therefore, Qwest's criticisms should be rejected.

16 In sum, serving a customer with a DS1 type service is neither going to allow a  
17 carrier to sell a wider variety of services to a multiple POTS line customer, nor  
18 allow the CLEC to charge a premium price. Any notion that there is an  
19 "increased revenue opportunity" by serving a multiple POTS line customer with a  
20 DS1 type service is not supported by the realities of the small business market.



1 **Q. HAS QWEST PROVIDED INFORMATION THAT IT IS SERVING**  
2 **CUSTOMERS WITH MULTIPLE DS0 LINES (MORE THAN THREE),**  
3 **NOT A DS1, AT A SINGLE LOCATION?**

4 A. Yes. In response to AT&T data request WA ATT-1-34 and MCI data request  
5 WA MCI-1-99, Qwest has provided information on a highly confidential basis  
6 that reveals it is serving a significant number of customers using multiple DS0s at  
7 a single location.<sup>7</sup> It appears that, in the real world, Qwest's cross over point for  
8 converting its customers from DS0 to DS1 is more than three lines. There is no  
9 basis to limit the CLEC's ability to serve its customers in the same manner, by  
10 implementing the artificially low cross over point that Qwest recommends.

11 **Q. QWEST ALSO CRITICIZES AT&T'S CROSS OVER ANALYSIS FOR**  
12 **USING UNE-P COSTS. PLEASE COMMENT.**

13 A. Qwest states that the use of UNE-P costs is incorrect and the correct comparison  
14 should be a comparison of DS0 UNE-L costs with the cost to provide a DS1 loop.  
15 In all but the most limited situations, an ILEC's unbundled local switching  
16 network element is only used as part of a platform with all of the other unbundled  
17 network elements known as UNE-P. The purpose of the cross over point in this  
18 proceeding is to identify where the enterprise market starts and where the mass  
19 market stops. Typically customers in the mass market using a competitive

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<sup>7</sup> See Qwest's highly confidential responses to AT&T 01-034 and MCI 01-099 are attached as Exhibit AMS-4HC.

1 provider are receiving service via UNE-P, not UNE-L. The decision being made  
2 is whether ILECs should be required to provide CLECs with switching capability  
3 to serve the mass market. Since mass market customers are currently being  
4 provided service via UNE-P, that is the proper comparison. The cross over point  
5 will decide the line at which a CLEC can and cannot serve customers using UNE-  
6 P and would serve the customer via a DS1 loop. Therefore, a cross over analysis  
7 using the cost of UNE-P is appropriate.

8 **Q. QWEST ALSO CRITICIZES SOME OF THE INPUTS USED BY AT&T IN**  
9 **ITS CROSS OVER ANALYSIS. WHAT ARE THE SPECIFIC CLAIMS**  
10 **MADE BY QWEST?**

11 A. Qwest claims that AT&T uses some incorrect inputs and some unsupported  
12 equipment costs. Specifically, Qwest states that AT&T utilizes incorrect DS1  
13 nonrecurring rates and special access rates. In addition, Qwest criticizes AT&T  
14 for including unsupported equipment costs for multiplexing equipment and  
15 maintenance.<sup>8</sup> Before addressing these claims, however, it is important to point  
16 out that, even assuming Qwest is correct in its claim that AT&T has used the  
17 wrong rates for the inputs outlined below (and AT&T does not agree that is the  
18 case), the result of the analysis does not change – **the cross over point remains**  
19 **at twelve (12) lines.**

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<sup>8</sup> Qwest also claims there are minor computational errors, but does not provide any information on that claim.

1 **Q. PLEASE ADDRESS QWEST'S INPUT CLAIMS.**

2 A. Certainly. I will address each of the three claims.

3 **1. Incorrect DS1 Nonrecurring Rates**

4 AT&T used the nonrecurring rate of \$332.34 associated with a coordinated  
5 installation with cooperative testing for a DS1 loop. Qwest claims this is the  
6 incorrect rate. AT&T disagrees. However, as noted above, even if the DS1 basic  
7 installation rate of \$96.98 (the lowest cost installation option for a DS1 loop) is  
8 substituted in the analysis for the \$332.34 nonrecurring charge, the twelve (12)  
9 line result does not change.<sup>9</sup> To address Qwest's claim, there are circumstances  
10 where a coordinated installation with cooperative testing is necessary and AT&T  
11 does not agree with Qwest that basic installation is the appropriate charge for a  
12 DS1 customer. However, since the change does not impact the twelve (12) line  
13 cross over it is not relevant and Qwest's criticism is immaterial and should be  
14 dismissed.

15 **2. Incorrect Special Access Rates**

16 The special access rates used in AT&T's cross over analysis are from Qwest's  
17 FCC Tariff #1, Access Service Tariff for DS3 Private Line Transport Service.  
18 The rates used in the model include a nonrecurring charge of \$305.00, a fixed  
19 recurring charge of \$240.00, and a per mile charge of \$47.25. The rates are based  
20 on an assumption of three miles, a sixty-month term, and are weighted equally

1 between price cap rates and pricing flexibility rates.<sup>10</sup> Again, AT&T believes its  
2 assumptions are appropriate. Qwest has presented no evidence to support any  
3 other methodology. Therefore, Qwest's criticism should be rejected.

4 **3. Unsupported Equipment Costs for Multiplexing Equipment and**  
5 **Maintenance**

6  
7 Qwest claims that the equipment costs for multiplexing equipment and  
8 maintenance are unsupported. Filed with the direct testimony supporting the DS0  
9 cross over analysis was Exhibit JFF-3 which provided information on the Adtran  
10 equipment, consisting of the Adtran Total Access 750 Channel Bank, an Adtran  
11 AC/DC Power Supply and Battery Charger and an Adtran Battery Backup.  
12 Exhibit JFF-4 provided information on the Edgelink 100 product. Attached as  
13 Exhibit AMS-5 is additional support for this equipment providing documentation  
14 for the price quotes used in the analysis from the ComputerAnimal.com website  
15 for the Adtran equipment. Support for the cost estimate of the Edgelink 100  
16 multiplexer is provided in the AT&T Impairment Tools, Explanation and  
17 Documentation of Input Values, Exhibit DD-4, section 9.1 at page 21. The  
18 maintenance rate used in the cross over analysis is from Qwest's Statement of  
19 Generally Available Terms ("SGAT"), Section 9.20.18 Repair of Equipment at a  
20 rate of \$32.00 per 1/4 hour during business hours. This rate is converted into an

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<sup>9</sup> The disconnect rate of \$27.99 is the same for the basic or the coordinated with cooperative testing installation options.

1 hourly rate of \$64.00 and the cost for 1/3 of a visit of \$21.33 is used in calculating  
2 the maintenance expense. Taken together, AT&T has fully supported the  
3 equipment costs and maintenance rates used in its analysis. Qwest has presented  
4 no alternative equipment costs or maintenance rates. Accordingly, Qwest's  
5 criticisms should be rejected.

6 **B. RESPONSE TO STAFF'S TESTIMONY**

7 **Q. WHAT IS STAFF'S POSITION ON THE CROSS OVER POINT THAT**  
8 **SHOULD BE UTILIZED BY THE COMMISSION IN THIS**  
9 **PROCEEDING?**

10 A. Staff accepts the DSO four-line limit established by the FCC in defining the mass  
11 market.<sup>11</sup>

12 **Q. HAS STAFF PERFORMED A STATE OR MARKET SPECIFIC**  
13 **ANALYSIS AS REQUIRED BY THE FCC ORDER?**

14 A. No.

15 **Q. SHOULD STAFF'S POSITION BE RELIED UPON BY THE**  
16 **COMMISSION IN ESTABLISHING A DS0/DS1 CROSS OVER FOR THE**  
17 **STATE OF WASHINGTON?**

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<sup>10</sup> See Qwest FCC Tariff #1 Access Service Tariff, FCC 5<sup>th</sup> Revised page 7-140 and page 17-417. The fixed rate is calculated as follows: \$232.50+\$247.50=\$240.00. The per mile rate is calculated as follows: \$63.75+\$30.75=\$47.25.

<sup>11</sup> See Testimony of Thomas L. Spinks at 17-18.

1 A. No. Just as Qwest's position should be rejected, Staff's position should be  
2 rejected. Neither Qwest nor Staff has done anything more than rely on the FCC  
3 presumption which was found to be inadequate on a state or market specific basis.  
4 Staff's position does not comply with the FCC directive to the state commissions  
5 to base the DS0/DS1 cross over on a granular analysis.

6 **III. CONCLUSION**

7 **Q. WHAT ARE YOUR OVERALL CONCLUSIONS FOR THE CROSS OVER**  
8 **POINT?**

9 A. When a fact-based, quantitative analysis is performed on a granular basis using  
10 cost information for Washington, the point at which it is economically rational for  
11 a CLEC to use a DS1-based service is when a customer utilizes twelve (12) or  
12 more lines at a single location. The evidence presented in AT&T's direct  
13 testimony used to arrive at this conclusion is objective, quantitative, granular,  
14 specific to Washington and representative of how a CLEC would view a decision  
15 to serve a customer with UNE-P or a DS1-based service. The resulting analysis  
16 demonstrates that when a customer is served by twelve (12) or more lines at a  
17 single location a CLEC should be economically indifferent between UNE-P or  
18 DS1 lines to serve that location. The criticisms by Qwest in its response  
19 testimony regarding AT&T's analysis are unsupported and do not change  
20 AT&T's twelve (12) line result. Qwest's criticisms are immaterial and should be  
21 rejected.

1 Finally, this Commission cannot simply accept the FCC's old four-line limit  
2 recommended by Qwest and Staff, without state-specific granular evidence to  
3 support that limit. No such evidence has been presented.

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

5 **A. Yes.**