



**I. IDENTIFICATION OF WITNESS**

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12 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH  
13 QWEST CORPORATION?

14 A. My name is Theresa Jensen. I am the Director of Regulatory Affairs for Qwest  
15 Corporation (“Qwest” or “Company”) in Washington. My business address is  
16 1600 7th Avenue, Room 3206, Seattle, Washington 98191.

17  
18 Q. **DID YOU PREVIOUSLY FILE TESTIMONY IN THIS CASE?**

19 A. Yes. I filed Direct Testimony on August 11, 2000 which introduced Qwest’s  
20 Petition for Competitive Classification of Business Services in Specified  
21 Washington Wire Centers.

22  
23 **II. PURPOSE OF TESTIMONY**

24  
25 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

26 A. The purpose of my rebuttal testimony is to respond to Dr. Blackmon’s testimony and  
27 issues raised by other parties.

28 Q. **PLEASE SUMMARIZE YOUR TESTIMONY.**

1 A. In this testimony, I continue to demonstrate that Qwest has satisfied the statutory  
2 criteria for competitive classification of Qwest's business services in the proposed  
3 thirty-one wire centers. I also respond to questions raised by Dr. Goodfriend  
4 concerning the information provided by Qwest as part of its original petition, and to  
5 assertions made by Mr. Wood concerning the protection of confidential competitive  
6 local exchange provider information collected by Qwest through forecasting,  
7 interconnection, collocation, etc. I also agree to the conditions outlined by Dr.  
8 Blackmon at pages 23 and 24 of his testimony dated September 18, 2000.

9

10 **III. RESPONSE TO DR. BLACKMON'S TESTIMONY**

11

12 Q. HAS QWEST DEMONSTRATED THAT IT HAS SATISFIED THE STATUTORY  
13 CRITERIA FOR COMPETITIVE CLASSIFICATION OF ITS BUSINESS  
14 SERVICES IN THE SPECIFIED WIRE CENTERS?

15 A. Yes. Qwest has satisfied the statutory criteria for competitive classification of  
16 Qwest's business services in the proposed wire centers. The company has clearly  
17 identified that multiple providers hold themselves out to offer such services in these  
18 markets at competitive prices, that Qwest has lost measurable if not significant  
19 market share over an eighteen month period,<sup>1</sup> and that these same providers are

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<sup>1</sup> The Commission staff analysis, found at Exhibit GB-3, validates Qwest's analysis of measurable market share loss.

1 capable of serving all existing customers in these areas should they choose to do so.

2 The reality is that they have chosen not to.

3

4 If alternative providers offered their services in the same fashion as Qwest does to  
5 customers in these markets – in other words, in a ubiquitous fashion – the market  
6 would be extremely competitive. However, it is clear from the testimony filed<sup>2</sup> that  
7 existing alternative providers have no desire to do so. Instead, these providers will  
8 continue to select which customers they serve, and the goals articulated by the  
9 Commission and by the legislature in RCW 80.36.300 will continue to be visions  
10 never attained in Washington.

11

12 **Q. HOW DO YOU RESPOND TO DR. BLACKMON'S CONCLUSION THAT COMPETITORS**  
13 **CANNOT ECONOMICALLY AND PRACTICALLY REACH SMALL BUSINESS**  
14 **CUSTOMERS?**

15 **A.** I cannot agree with Dr. Blackmon that competitors are not yet seeking the business  
16 of small business customers. Alternative providers currently serve small business  
17 customers in select markets, therefore Qwest is currently competing for all customer

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1 <sup>2</sup> Dr. Goodfriend at page 8 of her testimony acknowledges that “CLECs’ market entry  
2 strategies are not to provide reasonably available alternative products to all existing  
3 Qwest business customers. Rather CLECs are focused on providing services to various  
4 kinds of high volume, high margin business customers located in close proximity to their  
5 existing backbone fiber facilities.” Dr. Goodfriend also confirms at page 43 of her  
6 testimony that “CLECs are going after high margin customers....It is consistent with  
7 leaving the low margin and smaller business customers for ‘another day’ (if at all).”

1 segments within the proposed wire centers.

2

3 **Q. DO YOU CONCUR WITH DR. BLACKMON THAT THE BOTTLENECK TO**  
4 **COMPETITON IN THESE WIRE CENTERS IS THE CIRCUIT OUT TO THE**  
5 **CUSTOMER'S PREMISE?**

6 A. No. New technologies have provided alternatives readily available to all local  
7 exchange carriers that enable connectivity more economically than traditional  
8 deployment of copper facilities. There are a number of companies that currently  
9 offer fixed wireless services and products, and a number of providers use this  
10 technology to provide telecommunications services. Carriers use radio spectrum  
11 technology to wirelessly link customer locations to their high speed networks,  
12 bypassing the network of the local exchange company.

13

14 Tacoma Power, for example, offers both carrier and access services to the customer's  
15 premise over their Click! Network. Rather than purchasing an additional telephone  
16 line, customers can connect their computer modem directly to an Internet Service  
17 Provider (ISP) through their cable line. To date, the Click! web site indicates that  
18 more than 650 Tacoma residents and businesses already have signed up for cable  
19 modem services in this fashion. In addition, Click! has started offering wholesale  
20 internet services to internet service providers.

21

1 **Q. HAS THE COMMISSION EVER ADDRESSED THE ABILITY OF ALTERNATIVE**  
2 **PROVIDERS TO EXTEND THEIR SERVICE TO NEW CUSTOMERS?**

3 A. Yes. In the Eighth Supplemental Order in Docket No. UT-990022, the Commission  
4 found the data submitted by U S WEST (n/k/a Qwest) demonstrated:

5 “that competitive investment is taking place, and, in Seattle alone, some 300  
6 buildings have CLEC alternatives. The market for the services at issue here  
7 appears to be growing rapidly and there is reason to believe that entry  
8 continues to occur. There is no indication that U S WEST has an unfair  
9 monopoly advantage over its competitors either in securing a larger share of  
10 this new business or in gaining access to new buildings or rights-of-way. In  
11 fact, undisputed evidence shows that competitors are gaining access to  
12 numerous buildings and to rights-of-way within the competitive zones  
13 delineated by U S WEST’s petition.”  
14

15 While the Commission conclusions were specific to high capacity circuits, the same trends have  
16 occurred with local exchange business services.

17

18 **Q. DO COMPETITORS CONTINUE TO SECURE A LARGER SHARE OF THE BUSINESS**  
19 **LOCAL EXCHANGE MARKET?**

20 A. Yes. Confidential Exhibit TAJ-8C demonstrates that competitors have deployed Qwest carrier  
21 services at a significant rate over the last eighteen months. The number of ported Qwest telephone  
22 numbers to an alternative provider has grown by almost 700% and the number of unbundled loops  
23 has increased by 50% in less than two months.<sup>3</sup> The growth associated with these carrier  
24 services reflects the loss of services formerly provided by Qwest, the loss of former  
25 Qwest customers, and/or alternative provider growth.

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1 <sup>3</sup> See Confidential Exhibit TAJ-8C.

1

2 **Q. HAS COMPETITIVE ENTRY CONTINUED TO OCCUR?**

3 A. Yes. When Qwest filed its original Petition, the Commission web site identified  
4 thirty-one alternative providers registered to provide local exchange service in the  
5 state of Washington.<sup>4</sup> As of September 12, 2000, the Commission web site  
6 indicates 127 providers are now registered to offer local exchange service.<sup>5</sup>

7

8 **Q. DO COMPETITORS HAVE TO OFFER THEIR LOCAL EXCHANGE**  
9 **BUSINESS SERVICES ON A “DS-1 OR LARGER” BASIS IF THAT IS**  
10 **HOW THEY PROVISION THEIR SERVICE OFFERING?**

11 A. No. Competitors can price their service in the same manner as Qwest. They can  
12 offer local exchange service on a line by line basis, on a DS-1 channel basis, or at  
13 a DS-1 or larger circuit basis.

14

15 It is not necessary to sell service on a DS-1 or larger circuit basis when service is  
16 provided over a DS-1 or larger circuit. When alternative providers insist the  
17 customer purchase service on a DS-1 or larger circuit basis they are defining the  
18 number of lines a customer “must” subscribe to in order to obtain a financial

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1 <sup>4</sup> See Attachment F to the original Petition.

1 <sup>5</sup> See Attachment TAJ-9.

1 benefit when changing their local service provider.

2

3 **Q. DO YOU CONCUR WITH DR. BLACKMON THAT UNBUNDLED**  
4 **NETWORK ELEMENTS ARE NOT YET A PROVEN COMMERCIAL**  
5 **PRODUCT?**

6 A. No. Exhibit TAJ-3C submitted with my Direct Testimony dated August 11, 2000,  
7 indicated that Qwest had provisioned 11,607 unbundled loops as of June, 2000, in  
8 the 31 selected wire centers. Most of these loops were provisioned over the last year.  
9 Updating these numbers, I am attaching as Exhibit TAJ-10C, a matrix showing that  
10 as of August, 2000 Qwest has provisioned over 17,377 unbundled loops to twenty-  
11 eight different CLECs across Washington. Qwest continues to improve its processes  
12 for the provision and maintenance of unbundled loops while simultaneously  
13 deploying unbundled loops at a rapid rate.

14

15 **Q. DO YOU AGREE WITH DR. BLACKMON THAT THE RENTON, KENT,**  
16 **TACOMA, ISSAQUAH AND AUBURN EXCHANGES DO NOT MEET**  
17 **THE EFFECTIVE COMPETITION CRITERIA SPECIFIED BY**  
18 **STATUTE?**

19 A. No. Dr. Blackmon states at page 17 of his testimony, that the structural factors are  
20 similar across the nine proposed exchanges since competitors are operating in each



1 area and have similar access to collocation space and unbundled network elements.  
2 Therefore his position is premised on the market concentration index above 5,000 in  
3 these exchanges.

4  
5 As Dr. Taylor demonstrates in his testimony, Dr. Blackmon's use of the HHI to infer  
6 that competitive classification is not warranted in Renton, Kent, Issaquah, Auburn  
7 and Tacoma is without justification. Market share or HHI information (particularly  
8 in a market with decreasing concentration) cannot solely be relied upon to make any  
9 assessment about the incumbent firm's potential market power. A particular value  
10 of HHI, for example, is neither necessary nor sufficient for market power to exist or  
11 be exercised. Consequently, a market concentration index above 5,000 does not fully  
12 justify that no effective competition exists.

13 **IV. RESPONSE TO DR. BLACKMON'S PROPOSED CONDITIONS**  
14

15 **Q. IS QWEST WILLING TO AGREE WITH THE CONDITIONS OUTLINED**  
16 **BY DR. BLACKMON AT PAGES 23 AND 24?**

17 A. Yes. Qwest agrees with the conditions outlined by Dr. Blackmon. There is a public  
18 benefit in the saving of resources in settling issues and avoiding a prolonged,  
19 adversarial trial between Qwest and the Commission Staff. The Company has, by  
20 this choice, agreed to continue with its agreement to not increase prices of business  
21 services or reduce availability, as outlined Dr. Blackmon, in exchange for the ability

1 to compete on a parity basis.

2

3 **Q. WHAT IS THE FIRST CONDITION REQUIRED BY DR. BLACKMON?**

4 A. The first condition requires Qwest to agree to not revise the terms under which it  
5 offers service within these wire centers in any way, including any reduction in its  
6 obligation to serve.

7

8 **Q. WHAT DOES QWEST UNDERSTAND THIS CONDITION TO REQUIRE?**

9 A. Qwest understands this condition to require the Company to continue to offer service  
10 within these wire centers as committed to under its existing tariffs and as required by  
11 the Washington Administrative Code.

12 Qwest does not believe this condition precludes the Company from introducing new  
13 products or services that differ from existing tariffs or from continuing to offer  
14 service under contract. Nor does Qwest understand it to preclude the Company from  
15 changing product specific terms and conditions as long as such changes do not  
16 restrict or reduce the availability of the service.

17

18 **Q. WHAT IS THE SECOND CONDITION REQUIRED BY DR. BLACKMON?**

19 A. The second condition requires Qwest to agree to continue to offer all customers the  
20 customer service guarantees offered as part of the Qwest consumer bill of rights

1 tariff. As part of Qwest's agreement to these conditions, Qwest will reference the  
2 consumer bill of rights tariff in the price list for business local exchange service,  
3 should the Commission approve Qwest's petition.

4

5 **Q. WHAT IS THE THIRD CONDITION REQUIRED BY DR. BLACKMON?**

6 A. The third condition requires Qwest to agree to not increase prices or reduce  
7 availability, relative to the levels currently in its tariff, of any business local exchange  
8 service within these wire centers.

9

10 **Q. WHAT DOES QWEST UNDERSTAND THIS CONDITION TO REQUIRE?**

11 A. Qwest understands this condition to require the Company to continue to offer those  
12 services that would be competitively classified, should the Commission approve  
13 this petition, at a price equal to or less than the price that is presently in the tariff,  
14 if the customer is served by circuits smaller than a DS-1. Qwest does not believe  
15 this condition precludes the Company from introducing new products or services  
16 that differ from existing tariffs.

17

18 **Q. DOES QWEST ACCEPT THE EXPIRATION TERM ASSOCIATED WITH**  
19 **THE ABOVE CONDITIONS?**

20 A. Yes, Qwest accepts the expiration term as defined by Dr. Blackmon. As stated in his

1 testimony, Qwest is aggressively moving forward with pursuing approval for long  
2 distance entry in Washington. Therefore agreement to these conditions until Qwest  
3 has received approval by the Federal Communications Commission (FCC) of its  
4 application to provide long-distance service under Section 271 of the  
5 Telecommunications Act of 1996 is not objectionable.

6

7 **Q. DOES QWEST BELIEVE THE EXPIRATION TERM SHOULD BE**  
8 **MODIFIED BY THE COMMISSION?**

9 A. Yes. As stated above, Qwest accepts the expiration term specified by Dr. Blackmon.  
10 However, Qwest respectfully submits that a recommendation of approval by this  
11 Commission to the FCC ought to be the point in time when such conditions are no  
12 longer necessary. Should the Commission approve Qwest's petition contingent upon  
13 acceptance of these conditions, Qwest requests the expiration term be modified to the  
14 point in time when this Commission recommends approval to the FCC.

15

16 **V. RESPONSE TO DR. SARAH GOODFRIEND'S TESTIMONY**

17

18 **Q. AT PAGE 36 OF DR. GOODFRIEND'S TESTIMONY SHE STATES THAT**  
19 **IT IS NOT CLEAR "THAT THE REPORTED COLLOCATION NUMBERS**  
20 **ARE ADJUSTED FOR DEMANDS FOR COLLOCATION ASSOCIATED**

1           **WITH THE PROVISION OF DSL USING UNBUNDLED LOOPS.” DID**  
2           **QWEST ADJUST ITS COLLOCATION NUMBERS FOR LOOPS**  
3           **PROVIDED FOR THE PROVISION OF DSL?**

4    A.    Qwest did not adjust its collocation numbers for loops provided for the provision of  
5           DSL services. The collocation numbers provided at Attachment G of the petition  
6           represent the total number of carriers physically or virtually collocated within a  
7           Qwest wire center. Unbundled loops is not a determining factor for collocation status  
8           (see Exhibit TAJ-10C). Collocation is an option and unbundled loops are available  
9           without collocation.

10   **Q.    DID QWEST ADJUST ITS COLLOCATION NUMBERS FOR LOOPS**  
11       **PROVIDED FOR SERVICES OTHER THAN LOCAL EXCHANGE**  
12       **BUSINESS SERVICE, SUCH AS ATM SWITCHES, DSLAMS,**  
13       **MULTIPLEXORS, ETC.?**

14   A.    Qwest did not adjust its collocation numbers for loops provided for services other  
15           than local exchange business service, such as ATM switches, DSLAMS,  
16           Multiplexors, etc. Customer premis equipment (CPE) is proprietary to the carrier.  
17           As such, collocation is not determined by the type of CPE housed within a wire  
18           center, but that public access to a carrier is readily available.

19  
20   **Q.    DR. GOODFRIEND REFERENCES YOUR STATEMENT AT PAGE 10 OF**

1           **YOUR DIRECT TESTIMONY THAT “ALTERNATIVE PROVIDERS**  
2           **WHO ONLY PURCHASE UNBUNDLED LOOPS ARE NOT INCLUDED**  
3           **IN THE TOTALS SUMMARIZED AT ATTACHMENT G.” PLEASE**  
4           **CLARIFY YOUR TESTIMONY.**

5    A.     The purpose of my statement, at page 10 of my direct testimony, was to highlight  
6           that Qwest did not include the number of unbundled loops purchased by carriers<sup>6</sup>  
7           for the sole purpose of provisioning only DSL equivalent service. The data

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1    <sup>6</sup> These carriers are frequently referred to as DLECs.

1 concerning the number of loops they purchase was included to demonstrate that any  
2 other carrier can also purchase unbundled loops in these same wire centers they just  
3 simply choose not to do so.

4

5 **Q. DO UNBUNDLED LOOPS UTILIZED TO PROVIDE DSL LIKE SERVICE**  
6 **REQUIRE CARRIER SPECIFIC PROVISIONING MODIFICATIONS**  
7 **THAT DIFFER FROM AN UNBUNDLED LOOP UTILIZED TO PROVIDE**  
8 **BASIC EXCHANGE SERVICE?**

9 A. Yes, modifications to a CLEC's DSL loops require a Qwest field technician  
10 dispatch, whereas provisioning of basic exchange services does not. The  
11 technician is responsible for validating specific electrical requirements in order to  
12 insure the circuit will transport the digital signal properly. These tests include:  
13 Resistance reading between tip, ring and ground;  
14 Foreign Battery;  
15 Loop Length: Tip Ring and Mutual;  
16 Line Balance;  
17 Longitudinal Balance;  
18 Bridge Tap; and  
19 Load Coil.  
20 The field technician must then test the circuit with a Qwest test center technician

1 and together they perform four digital pattern stress tests ranging from 1 to 45  
2 minutes in duration. The test center technician then contacts the customer for  
3 acceptance of the circuit.

4

5 **VI. RESPONSE TO MR. DON WOOD'S TESTIMONY**

6

7 **MR. WOOD SUGGESTS AT PAGE 11 OF HIS TESTIMONY THAT QWEST**  
8 **RETAIL OPERATIONS HAVE BEEN GIVEN ACCESS TO INDIVIDUAL**  
9 **CARRIER INFORMATION. IS THAT TRUE?**

10 No. Qwest retail operations do not have access to alternative provider information. As the  
11 Director of Regulatory Affairs, I may review such information but Company  
12 procedures restrict me from sharing such information with Qwest retail operations.

13

14 **Q. MR. WOOD SUGGESTS AT PAGE 12 OF HIS TESTIMONY THAT**  
15 **QWEST COULD USE INDIVIDUAL CARRIER INFORMATION**  
16 **COLLECTED IN THE COURSE OF CONDUCTING ITS CARRIER**  
17 **BUSINESS, TO TARGET RETAIL COMPETITIVE OFFERINGS. IS**  
18 **THAT TRUE?**

19 A. No. As explained above, any employee that has access to alternative provider  
20 information is restricted from sharing such information with Qwest retail operation  
21 employees.



1 **Q. MR. WOOD ALLEGES AT PAGE 28 OF HIS TESTIMONY THAT “THE**  
2 **RELATIVELY MODEST SUCCESS OF COMPETING PROVIDERS IN**  
3 **THE MAJORITY OF THE THIRTY-ONE WIRE CENTERS AT ISSUE**  
4 **SUGGESTS THE EXISTENCE OF [A BARRIER TO EFFECTIVE**  
5 **ENTRY].” DO YOU AGREE?**

6 A. No. The approach taken by Mr. Wood would suggest that the number of long  
7 distance service providers in the state of Washington with modest minutes of use  
8 billed to end users suggests a barrier to entry as well. This is clearly not the case  
9 in the long distance market place nor is it the case with local exchange competitive  
10 activity. Clearly, Mr. Wood did not review the Commission letter sent to his  
11 attorney on August 25, 2000 that included Commission Staff Exhibit GB-3. This  
12 exhibit clearly indicates the success of alternative providers is more than modest.  
13 As Dr. Goodfriend acknowledged, the access lines that CLECs target and win are  
14 the most profitable lines. Finally, alternative local exchange carriers frequently  
15 state that they do not believe it is difficult to enter the local exchange business  
16 market place in Qwest’s Washington exchanges (see Exhibit TAJ-11).

17 **VII.CONCLUSION**

18  
19 **Q. WHAT BENEFITS WILL RESULT FROM COMPETITIVE**  
20 **CLASSIFICATION OF QWEST BUSINESS SERVICES?**

21 A. Granting Qwest’s Petition will increase pressure on alternative providers to expand

1 the services they offer in the identified geographic areas to more customers, not just  
2 the provider-preferred customers that they market to in these same areas. It will also  
3 bring forth new product enhancements as well as price adjustments that are more  
4 responsive to the market. Finally, it will enable the Commission to make further  
5 progress toward promoting diversity in supply and increased competitive alternatives  
6 in these markets.

7

8 Denial of Qwest's petition would result in the continued behavior of alternative  
9 providers to keep their investments low while maximizing revenue to provide  
10 maximum return on investment. In other words, alternative providers will continue  
11 to selectively serve customers in these markets where it is profitable to do so, while  
12 denying service to less profitable customers in these same areas. Clearly such  
13 behavior reflects an inappropriately narrow interpretation of RCW 80.36.300(5),  
14 which declares the policy of the state as one that promotes the diversity of supply of  
15 telecommunications services and products in telecommunications markets throughout  
16 the state. No party opposing Qwest's petition presents any meaningful evidence that  
17 they are not capable of serving significantly more customers in these geographic  
18 areas. Qwest respectfully requests the Commission to approve its petition.

19

20 **DOES THIS CONCLUDE YOUR TESTIMONY?**

1 Yes, it does.