

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

WASHINGTON INDEPENDENT  
TELECOMMUNICATIONS ASSOCIATION,  
WASHINGTON EXCHANGE CARRIER  
ASSOCIATION, THE TOLEDO  
TELEPHONE CO., INC., TENINO  
TELEPHONE COMPANY, KALAMA  
TELEPHONE COMPANY AND HOOD  
CANAL TELEPHONE COMPANY, d/b/a  
HOOD CANAL COMMUNICATIONS,

Complainants,

v.

MCLEODUSA TELECOMMUNICATIONS  
SERVICES, L.L.C. AND PAETEC  
COMMUNICATIONS, INC.,

Respondents.

DOCKET UT-111816

**DIRECT TESTIMONY OF**

**CRAIG J. PHILLIPS**

**ON BEHALF OF**

**COMPLAINANTS**

**April 6, 2012**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE**  
2 **RECORD.**

3 A. My name is Craig J. Phillips. My address is 1104 Main Street, Suite 300,  
4 Vancouver, Washington 98660.

5 **Q. WHAT IS YOUR PRESENT POSITION?**

6 A. I am a Certified Public Accountant. I operate an accounting firm known as Craig  
7 J. Phillips, CPA. I also serve as the Administrator of the Washington Exchange  
8 Carrier Association (WECA) access pooling arrangement as approved by the  
9 Washington Utilities and Transportation Commission, and as the Administrator  
10 for the Oregon Exchange Carrier Association (OECA access pooling arrangement  
11 as approved by the Oregon Public Utility Commission (OPUC).

12 **Q. WHAT IS YOUR EXPERIENCE IN THE TELECOMMUNICATIONS**  
13 **INDUSTRY?**

14 A. From January 1984 to April 1986 I was manager of the joint Oregon/Washington  
15 telecommunications industry audit group. This group consisted of employees of  
16 several of the large local exchange companies, whose duties were to review the  
17 projected revenue requirements and projected access minutes of OECA and  
18 WECA pool participants for consistency and reasonableness, propose adjustments  
19 if appropriate, and make recommendations to the OECA and WECA Boards. The  
20 approved revenue requirements and minutes were used as the basis for monthly  
21 settlements from the intrastate access pools.

22

1 Beginning in April 1986 I became Administrator for OECA, and as such became  
2 responsible for administering the intrastate access pools in Oregon. My staff and  
3 I administered the Oregon Carrier Access Fund (OCAF), the OECA Optional  
4 Pool and the OECA Billing & Collection and the OECA Special Access Pool.  
5 The Administrator is responsible for managing the pooling and distribution of  
6 intrastate access revenues, preparing the annual administrative budgets,  
7 monitoring pool results, preparing and filing access tariffs, preparing the  
8 corporate tax return and providing monthly and year-to-date reports to the OECA  
9 Board of Governors, various OECA committees and OPUC Staff. The  
10 Administrator also provides oversight for the OECA Rate Bureau, which provides  
11 an open forum for member companies and other interested parties to jointly  
12 discuss and consider proposals affecting rates and conditions for jointly provided  
13 Oregon intrastate telecommunications services. In addition, the OECA  
14 Administrator is responsible for oversight of the Oregon Data Distribution Center  
15 (DDC). The DDC receives intrastate intraLATA originating access records from  
16 participating companies and produces and distributes intrastate intraLATA  
17 terminating access records to participants. These records are used to bill  
18 terminating access to intraLATA carriers.

19  
20 Beginning in May 1987 I became Administrator for WECA, and as such became  
21 responsible for administering the intrastate access pools in Washington. My staff  
22 and I administer the Washington USF Pool, the Washington Interim USF Pool  
23 and the Washington CCL Pool. The Administrator is responsible for managing

1 the pooling and distribution of intrastate access revenues, preparing the annual  
2 administrative budgets, monitoring pool results, preparing and filing access  
3 tariffs, preparing the corporate tax return and providing monthly and year-to-date  
4 reports to the WECA Board of Directors and various WECA committees. The  
5 Administrator also provides oversight for the WECA Rate Bureau, which  
6 provides an open forum for member companies and other interested parties to  
7 jointly discuss and consider proposals affecting rates and conditions for jointly  
8 provided Washington intrastate telecommunications services. In addition, the  
9 WECA Administrator is responsible for oversight of the Washington DDC. The  
10 DDC receives intrastate intraLATA originating access records from participating  
11 companies and produces and distributes intrastate intraLATA terminating access  
12 records to participants. These records are used to bill terminating access to  
13 intraLATA carriers.

14 **Q. DO PART OF YOUR RESPONSIBILITIES AS WECA ADMINISTRATOR**  
15 **INCLUDE MONITORING AND REVIEWING TERMINATING ACCESS**  
16 **MINUTES?**

17 A. Yes. There are three pools. The first pool is an originating carrier common line  
18 (CCL) pool that includes the revenues from the originating CCL access rates that  
19 are applied to originating intrastate CCL access minutes. The second is the  
20 interim USF pool that includes revenues from the intrastate interim universal  
21 service fund rate element that is applied to terminating intrastate CCL access  
22 minutes. The third pool is the Traditional USF pool that includes revenues from

1 the traditional universal service fund rate. that is applied to both originating and  
2 terminating minutes.

3

4 As a result, we track both originating and terminating minutes.

5

6 On a monthly basis my staff enters originating and terminating minutes for each  
7 Washington telecommunications company into an excel spreadsheet which is  
8 used to calculate pooled revenues and distributions for the month. We also  
9 generate various reports tracking minute growth on a monthly, year-to-date and  
10 projected basis.

11

12 **Q. DO YOU HAVE ANY OBSERVATIONS RELATED TO TERMINATING**  
13 **MINUTE TRAFFIC FOR WECA POOL MEMBERS?**

14 A. Yes. Exhibit No. \_\_\_\_ (CJP-2C) shows the trend in terminating access minutes  
15 by company by year beginning with the first quarter of 2009 2008 and ending  
16 with the fourth quarter of 2011.

17

18 I need to note that the reference to CenturyTel in the exhibit refers to the legacy  
19 CenturyTel operations. CenturyTel and Cowiche, a CenturyTel affiliate,  
20 withdrew from the pooling process upon the approval of CenturyTel's acquisition  
21 of the Qwest assets. However, I have kept them in the tracking process for 2011  
22 for consistency.

23

1 One of the things I have observed is that for some companies where there is little  
2 or no EAS, minutes have remained relatively stable. For example, for St. John  
3 Skyline, Pend Oreille and Pioneer, there has been less in the way of access minute  
4 loss compared to other companies that have robust EAS areas such as Tenino.

5 **Q. WHAT CONCLUSIONS DO YOU DRAW FROM THAT OBSERVATION?**

6 A. There is something about the relationship of an EAS area that allows access  
7 avoidance to occur more readily.

8 **Q. HAVE YOU ANALYZED THE FINANCIAL IMPACT THAT MCLEOD'S**  
9 **ACTIVITY POSED TO WECA'S MEMBERS?**

10 A. Yes. The traffic information provided by McLeod in response to Data Requests  
11 1-5 and 1-6 provides the basis for analyzing the effect. I have included an exhibit  
12 which has the minutes delivered through McLeod to WECA members. It is  
13 Exhibit No. \_\_\_\_ (CJP-3C).

14 **Q. PLEASE EXPLAIN HOW THE FINANCIAL IMPACT ON WECA'S**  
15 **MEMBERS WAS CALCULATED FROM THE DATA THAT WAS**  
16 **SUPPLIED BY MCLEOD IN RESPONSE TO DATA REQUESTS 1-5 AND**  
17 **1-6.**

18 A. The first thing was to develop a means for providing a jurisdictional analysis.  
19 McLeod only began to separate the traffic between the interstate jurisdiction and  
20 intrastate jurisdiction in mid-2011. As a result, a test period was picked as a three  
21 month period of time for the affected companies. Specifically, July, August and  
22 September of 2011 were used. From these numbers a percentage of intrastate  
23 traffic was developed by dividing the intrastate minutes by the total minutes. This

1 produced a test period percentage. That percentage was then applied to the total  
2 minutes of traffic to arrive at a jurisdiction breakdown between interstate and  
3 intrastate traffic.

4 **Q. WHAT WAS THE NEXT STEP?**

5 A. The next step was to develop the intrastate and interstate rates for each of the  
6 affected companies. This is all a matter of tariff. There are three tariffs involved  
7 for each company. The first is the WECA tariff. The second is each local  
8 exchange company's own intrastate tariffs which have their rates for traffic-  
9 sensitive terminating access rate elements for intrastate traffic. The third is the  
10 NECA Tariff No. 5. From this information, the interstate access rate and the  
11 intrastate access rate for terminating traffic was developed. The table setting  
12 forth the rates is attached as Exhibit No. \_\_\_\_ (CJP-4).

13 **Q. PLEASE EXPLAIN HOW THE TARIFFED RATES WERE APPLIED.**

14 A. The tariffed rates were applied to the appropriate set of jurisdictional minutes that  
15 were developed as described above. This produced a dollar figure for the impact  
16 of the McLeod activities. That analysis is summarized in Exhibit No. \_\_\_\_ (CJP-  
17 5C). The only reason that this exhibit is a confidential exhibit is that the  
18 information contained on Exhibit No. \_\_\_\_ (CJP-4) could be used to back into the  
19 number of minutes that were delivered to each company. The number of minutes  
20 delivered to each company is considered by McLeod to be confidential.

21 **Q. WHAT IS THE TOTAL FINANCIAL IMPACT FOR THE PERIOD THAT**  
22 **YOU ANALYZED?**

1 A. I analyzed the period of time provided in response to the data requests which was  
2 November, 2009 through December, 2011. McLeod objected to providing any  
3 information from earlier in time. That said, the total effect for the November,  
4 2009 through December, 2011 period on the WECA members is \$1,312,315.  
5 Since this number cannot be reverse engineered from non-confidential  
6 information, I do not view the total number as confidential.

7 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes.