

**BEFORE THE WASHINGTON TRANSPORTATION
AND UTILITIES COMMISSION**

AT&T COMMUNICATIONS OF THE
PACIFIC NORTHWEST, INC., et al.,

Complainants,

v.

QWEST CORPORATION

Respondent.

Docket No. UT-051682

DIRECT TESTIMONY OF

GREGORY W. NAGROSST

ON BEHALF OF

**AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST, INC.
TCG SEATTLE, AND TCG OREGON**

***** PUBLIC VERSION,
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July 13, 2007

1 **I. INTRODUCTION**

2
3 **Q. Please state your name for the record.**

4 A. My name is Gregory Nagrosst.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by AT&T Services, Inc. as Executive Director – Accounting. In
7 that capacity I have familiarity with the payment records of AT&T
8 Communications of the Pacific Northwest, Inc., TCG Seattle, and TCG Oregon;
9 all of which are subsidiaries of AT&T Inc.

10 **Q. Please briefly describe your job responsibilities.**

11 A. Currently and for the last few years, I have been the Executive Director –
12 Accounting in AT&T Services, Inc. Controller’s organization with responsibility
13 for overseeing the accounting for traffic compensation between carriers, including
14 inter and intrastate access and local traffic such as UNE. This includes
15 accounting for the payments to access providers, such as Qwest, and international
16 carriers for use of that provider’s network.

17 **Q. Please briefly describe your educational background.**

18 A. I am a Certified Public Accountant as well as Certified Management Accountant,
19 with an MBA from Fairleigh Dickenson University in 1993 and Bachelor of
20 Science degree from Kean University in 1987. As a CPA I am required to take
21 continuing professional education annually.

22 **Q. Please briefly describe your work experience.**

23 A. Beginning July 1987, I worked for the State of New Jersey as an auditor. I then
24 spent a year as an internal auditor for First Atlantic Bank Corp. After leaving

1 First Atlantic Bank Corp., I began work for AT&T Corp. My total career with
2 AT&T spans over 16 years in the accounting department performing various
3 functions. My first role with AT&T was as an assistant manager responsible for
4 consolidations and eliminations of inter company transactions. Since that time I
5 have held positions with a wide variety of responsibilities ranging from revenue
6 accounting and recognition to accounting policy, including writing the schedule
7 of authorizations. For the past four years I have had my current responsibilities.

8 **Q. What is the purpose of your testimony?**

9 A. My testimony is offered to describe the services AT&T Communications of the
10 Pacific Northwest, Inc., TCG Seattle, and TCG Oregon purchased from Qwest
11 Corporation (“Qwest”) in Washington during the time period from November 1,
12 2000 through December 31, 2005, as well as variations of this timeframe. For
13 ease of reference, I will refer to AT&T Communications of the Pacific Northwest,
14 Inc., TCG Seattle, and TCG Oregon collectively as “AT&T.” I also discuss the
15 amount AT&T would have saved if given the opportunity to take the same 10%
16 discount on the services it purchased from Qwest that Qwest gave to certain other
17 carriers.

18 **II. AT&T’S COMPLAINT GENERALLY**

19 **Q. Are you generally familiar with AT&T’s complaint against Qwest in this**
20 **proceeding?**

21 A. Yes. I understand that the Minnesota Public Utilities Commission found that

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1 Qwest offered at least two competitors of AT&T (McLeodUSA and Eschelon)
2 secret discounts in undisclosed interconnection agreements. I understand that
3 McLeod and Eschelon essentially enjoyed a 10% discount on all the services they
4 purchased across the Qwest territory, including in Washington. AT&T was not
5 given the opportunity for and did not receive a similar deal in Washington or in
6 any of the Qwest in-region states. AT&T's complaint is based upon these deals.

7 **Q. What is AT&T asking the Commission to do in this case?**

8 A. Because AT&T, under its contracts, should have had an opportunity to opt into
9 these discount agreements but was prevented from doing so by Qwest, AT&T is
10 asking the Washington Commission to award it relief as is proper and explained
11 in AT&T's complaint.

12 **III. AT&T'S PURCHASE OF SERVICES FROM QWEST**

13 **Q. What services did AT&T purchase from Qwest in Washington during the**
14 **November 2000 through December 2005 time frame, roughly the original**
15 **term of the agreement between Qwest and Eschelon?***

16 A. Throughout that time frame AT&T purchased wholesale local services and
17 intrastate switched and private-line access services from Qwest.

18 **Q. During that same time frame, did AT&T purchase similar services across the**
19 **Qwest 14-state territory?**

20 A. Yes, it did.

* The agreements between Qwest and Eschelon and Qwest and McLeod discussed herein are the same agreements discussed at length by Mr. Deanhardt in his direct testimony.

1 **Q. Do you know the approximate total amount AT&T paid Qwest across its 14-**
2 **state territory for those services during the November 2000 through**
3 **December 2005 time frame?**

4 A. Yes, as indicated in confidential Exhibit GN-2, which shows AT&T's relevant
5 aggregate purchases from Qwest by month, for the November 2000 through
6 December 2005 timeframe it was ***

7 *** related to intra-state access and local traffic with the
8 balance being paid for inter-state access services.

9 **Q. How much did AT&T pay Qwest in Washington for the services it purchased**
10 **during that same time frame?**

11 A. The attached confidential spreadsheet, Exhibit GN-2, details the amount AT&T
12 paid to Qwest for intra-state access and local wholesale local services for each
13 relevant month in Washington. From November 1, 2000 to December 31, 2005,
14 AT&T paid to Qwest *** *** for intra-state access and
15 local traffic.

16 **Q. Was AT&T offered or did AT&T receive a 10% discount on the services it**
17 **purchased in Washington from Qwest from November 1, 2000 through**
18 **December 31, 2005?**

19 A: No.

20 **Q. If given the opportunity, would AT&T have taken advantage of its**
21 **ability under the terms of its agreement with Qwest to obtain the same 10%**

1 **discount that other carriers received from Qwest?**

2 A. Yes.

3 **Q. Had AT&T received a 10% discount on the services it purchased in**
4 **Washington from November 1, 2000 through December 31, 2005, how much**
5 **money would it have saved?**

6 A. For the relevant services, AT&T and would have saved ***

7 *** for intrastate access and local traffic.

8 **Q. How much did AT&T pay Qwest in Washington for the services it purchased**
9 **during the November 2000 through December 2003 time frame, roughly the**
10 **original term of the agreement between Qwest and McLeod?**

11 A. As demonstrated in the attached confidential spreadsheet, from November 1, 2000
12 through December 31, 2003, AT&T paid to Qwest *** *** for intra-
13 state access and local traffic.

14 **Q. Had AT&T received a 10% discount on the services it purchased in**
15 **Washington from November 1, 2000 through December 31, 2003, how much**
16 **money would it have saved?**

17 A. AT&T would have saved *** *** on intra-state access and
18 local services.

19 **Q. How much did AT&T pay Qwest in Washington for the services it purchased**
20 **during the November 2000 through June 2002 time frame, the actual term of**
21 **Qwest's agreement with McLeod?**

1 A. As demonstrated in the attached confidential spreadsheet, from November 1, 2000
2 through June 30, 2002, AT&T paid to Qwest *** *** for intra-state
3 access and local traffic.

4 **Q. Had AT&T received a 10% discount on the services it purchased in**
5 **Washington from November 1, 2000 through June 30, 2002, how much**
6 **money would it have saved?**

7 A. AT&T would saved *** *** for intra-state access and
8 local services.

9 **Q. Please describe how you arrived at the amount AT&T purchased from**
10 **Qwest in Washington.**

11 A. I reviewed the payments AT&T made to Qwest for services rendered to AT&T
12 from November 1, 2000 to December 31, 2005; the payments were categorized by
13 state by month for inter-state and intra-state access and local traffic. To determine
14 the savings AT&T would have received had it been given a 10% discount, for the
15 time frames listed above, I multiplied each relevant category - intra-state and local
16 - by 10%.

17 **Q. If you were to add interest to the amount AT&T would have saved, how**
18 **much interest would that be?**

19 A. The interest that AT&T would receive on the discount amount for the services
20 that AT&T purchased from Qwest during the November 1, 2000 to December 31,
21 2005 timeframe is *** ***. The interest that AT&T would

1 receive for the discount amount on the services that AT&T purchased from Qwest
2 during the November 1, 2000 to December 31, 2003 timeframe is ***

3 ***. The interest that AT&T would receive for the discount amount
4 from the services that AT&T purchased from Qwest during the November 1, 2000
5 to June 30, 2002 timeframe is *** ***.

6 **Q: Please describe how you arrived at that amount.**

7 A. First I calculated the 10% discount off payments AT&T made to Qwest for the
8 purchase of intra-state access and local traffic for each month and then applied
9 1.5% simple interest or 18% annually to the 10% discount amount. The interest
10 was calculated from one month after the service period until the end of June 2007.

11 **Q. Why did you use 1.5% interest rate?**

12 A. Section 3.3 of the Agreement for Local Wireline Network Interconnection and
13 Service Resale between AT&T Communications of the Pacific Northwest, Inc.
14 and Qwest (US West) for the relevant time period sets forth the payment
15 provisions, including late payment charges. Pursuant to this section if AT&T pays
16 the billed balance on time, but the amount of the billed balance is reasonably
17 disputed by AT&T, and it is later determined that a refund is due AT&T, interest
18 shall be payable on the refunded amount in the amount of 1.5% per month.

19 **IV. CONCLUSION**

20 **Q. Does this conclude your direct testimony?**

21 A. Yes.

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