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February 2, 2007

VIA EMAIL and DHL

Ms. Carole J. Washburn, Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket No. UT-063038;
Verizon Access Transmission Service's Response Testimony of Don Price

Dear Ms. Washburn:

Enclosed are the original and 3 copies of the Response Testimony of Don Price, including Exhibit No. DP-2.

The testimony is being filed electronically pursuant to paragraph 14 of Order 01 and WAC 480-07-145(b).

Sincerely,

Gregory M. Romano

GMR:pl

Enclosures
c: Administrative Law Judge Theodora M. Mace (via e-mail and DHL)
All parties of record (via e-mail and U.S. Mail)

Exhibit No._DP-1T

BEFORE THE WASHINGTON STATE
UTILTIES AND TRANSPORTATION COMMISSION

QWEST CORPORATION, Complainant, v. LEVEL 3 COMMUNICATIONS, LLC; PAC-WEST TELECOMM, INC.; NORTHWEST TELEPHONE INC.; TCG-SEATTLE; ELECTRIC LIGHTWAVE, INC.; ADVANCED TELCOM GROUP, INC. D/B/A ESCHELON TELECOM, INC.; FOCAL COMMUNICATIONS CORPORATION; GLOBAL CROSSING LOCAL SERVICES INC; AND, MCI WORLDCOM COMMUNICATIONS, INC	DOCKET NO. UT-063038

RESPONSE TESTIMONY OF DON PRICE

ON BEHALF OF VERIZON ACCESS TRANSMISSION SERVICES

FEBRUARY 2, 2007

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Don Price, and my business address is 701 Brazos, Suite 600, Austin, Texas 78701.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am a Director – State Regulatory Policy in the Verizon Business Regulatory and Litigation Department. Verizon Business is a business unit of Verizon that targets its services primarily to large business and government customers. MCImetro Access Transmission Services LLC supports many Verizon Business initiatives, and is doing business in Washington as Verizon Access Transmission Services ("Verizon Access"). I am testifying here on behalf of Verizon Access.

Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE AND EDUCATIONAL BACKGROUND?

A. I have more than 27 years experience in telecommunications, the vast majority of which is in the public policy area. I worked for the former GTE Southwest in the early 1980s, and moved to the Texas Public Utilities Commission in 1984. There, I acted as a Commission witness on rate-setting and policy issues. In 1986, I became Manager of Rates and Tariffs, and was responsible for Staff analyses of rate design and tariff policy issues in all telecommunications proceedings before the Commission. I was hired by MCI in 1986, where I spent 19 years in jobs focused on public policy issues relating to competition in telecommunications markets.

With the close of the Verizon/MCI merger in January 2006, I assumed my current position as Director – State Regulatory Policy for Verizon Business. I work with

various corporate departments, including those involved with product development and network engineering, to develop and coordinate practices permitting Verizon Business to offer enterprise and wholesale products to meet customer demands.

During my career, I have testified before state regulators in at least 22 states on a wide range of issues in many types of proceedings. I earned Master's and Bachelor's degrees in sociology from the University of Texas at Arlington in 1978 and 1977, respectively.

Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?

A. I will respond to points raised in the respective Direct Testimony of Qwest witnesses Brotherson and Linse and Commission Staff witness Williamson. These witnesses adopt the traditional incumbent local exchange carrier ("ILEC") view on intercarrier compensation for VNXX traffic. I will offer an alternative, market-based solution to the compensation issue that adopts neither the usual ILEC nor competitive local exchange carrier ("CLEC") positions, and that most large carriers are already using.

Q. IS MR. BROTHERSON CORRECT THAT VNXX ISSUES HAVE USUALLY ARISEN IN THE CONTACT OF TRAFFIC BOUND FOR INTERNET SERVICE PROVIDERS ("ISPS")? (BROTHERSON DIRECT, EXHIBIT_LBB-1T AT 23.)

A. Yes. Although Mr. Brotherson notes that VNXX calls can be voice or ISP-bound calls, the use of VNXX arrangements to reach ISPs is at the heart of almost every dispute between carriers about the use of VNXX arrangements, and most VNXX

traffic is ISP-bound. The focus on use of VNXX arrangements by ISPs is apparent in the discovery propounded by Qwest in this docket.

Q. DOES VERIZON ACCESS PROVIDE SERVICE TO ISPS?

A. No. Verizon Access, the company against which Qwest filed its complaint, does not even offer services to ISPs, so VNXX compensation for ISP-bound traffic should not be an issue with respect to Verizon Access. Indeed, Mr. Brotherson acknowledges that it is not Verizon Access, but one of its affiliates, that provides service to ISPs. (Brotherson Direct, Exhibit_LBB-1T at 57-58.) That affiliate, Verizon Services, provides customized services to large corporate and ISP customers throughout the country under contracts that do not include state-specific rates or terms. (*See* attached Verizon Access Response to Qwest Data Request No. 1, Exhibit No. DP-2.) But Qwest has not alleged that Verizon Services violated any Washington rules or tariffs.

Q. IS THIS PROCEEDING ABOUT WHETHER VNXX SERVICES SHOULD BE BANNED IN WASHINGTON OR ABOUT THE APPROPRIATE COMPENSATION FOR THOSE SERVICES?

A. Although Messrs. Brotherson and Williamson suggest that VNXX arrangements are unlawful, the compensation issue is plainly driving Qwest's Complaint. If Qwest and CLECs can agree on VNXX compensation that gives appropriate weight to their respective business interests, such arrangements will presumably moot Qwest's Complaint with respect to the propriety of VNXX arrangements.

In any event, I am not a lawyer and will leave the questions about the lawfulness of

VNXX arrangements to Verizon Access's legal brief.

Q. AS A MATTER OF POLICY, MR. BROTHERSON ARGUES THAT TELEPHONE NUMBERS MUST RETAIN THEIR GEOGRAPHIC ASSOCIATIONS. DO YOU AGREE? (BROTHERSON DIRECT, EXHIBIT_LBB-1T AT 30.)

A. No. But regardless of what Mr. Brotherson or I think, telephone numbers have already lost much of their geographic significance, and technology and customer demand for innovative services assure that this effect will continue. With the growth of wireless and Internet-protocol-based communications, for instance, there is less and less correspondence between a customer's location and his telephone number, and a diminishing expectation of such correspondence on the part of consumers. In fact, Qwest itself offers a Voice over Internet Protocol service that features a "Virtual Number" service allowing users to have numbers without regard to the geographic "association" Mr. Brotherson says Qwest supports. Qwest's website describes its service as follows:[1]

> **Virtual Number**
>
> Virtual Numbers are alias phone numbers that can be associated with your OneFlex® phone number. Your friends and family can dial your Virtual phone number and avoid incurring long-distance charges.
> For example, if you live in Denver and your primary # is 303.xxx.xxxx and your family lives in Omaha, your family has to call long-distance. With OneFlex, you can get a virtual phone number assigned to your account with an Omaha area code, so your family doesn't have to pay long-distance charges.

[1] The Qwest website at the following link was visited on February 1, 2007: https://cvoip.qwest.com/oneflex/portal/!ut/p/.cmd/cs/.ce/7_0_A/.s/7_0_42K/_s.7_0_A/7_0_42K

You can have up to 5 Virtual Phone Numbers attached to one primary OneFlex phone number.

In view of Qwest's own marketing efforts, Mr. Brotherson's testimony about the need to retain telephone numbers geographic association deserves little credence.

Q. DO YOU AGREE WITH MR. WILLIAMSON THAT CLEC NETWORKS ARE NOT DESIGNED LIKE LEGACY ILEC NETWORKS? (WILLIAMSON DIRECT, EXHIBIT NO. __ T (RW-1T) AT 14.)

A. Yes. Because of their long histories in operating telephone networks, the ILECs' network design remains essentially the same as it was in the first half of the 20th century. That basic design consists of a hub-and-spoke architecture with a switch located centrally – i.e., the "hub" -- in each exchange, and the network access lines connecting the switch with the end users' premises throughout the exchange representing the "spokes." The switch in each exchange provides dial-tone service to customers within that relatively small geographic area, and customers in the area share the same NPA/NXX – *e.g.*, 305-372 – as the first part of each unique 10-digit telephone number. In short, the phone numbers in each exchange area are typically assigned from the same NPA/NXX. An ILEC such as Qwest that serves large geographic areas would in this manner have many exchanges,[2] with a switch in each exchange, and with each switch serving only those few NPA/NXXs required for number assignments within that exchange.

As Mr. Williamson observes, CLEC networks do not share this historical heritage

[2]The term "exchange" is sometimes synonymous with the term "rate center" and/or "local calling area." Particularly in metropolitan areas, however, a "rate center" may encompass numerous exchanges in a large local calling area.

or associated network design. Most CLEC networks, including Verizon Access's, were designed in the late 1990s, based on then-current design principles and technologies, to efficiently meet the needs of their new (not legacy) customer base. Therefore, in contrast to ILEC networks, CLEC networks typically utilize many fewer switches to serve an area comparable to numerous ILEC exchange areas. Unlike the traditional ILEC network design, there is not a one-for-one correspondence between CLEC switches and a particular exchange, and it is not unusual for a single CLEC switch to serve many more NPA/NXXs than one ILEC switch.

Q. MR. BROTHERSON APPEARS TO SUGGEST THAT VNXX NUMBER ASSIGNMENTS WILL SOMEHOW AFFECT CALL ROUTING. IS THAT RIGHT? (BROTHERSON DIRECT, EXHIBIT_LBB-1T AT 30.)

A. No. Mr. Brotherson's testimony that "the entire basis for whether to assess toll charges to a call relate[s] to the specific physical locations at which traffic bound for particular switches may be delivered" is incorrect. First, Mr. Brotherson (and Messrs. Williamson and Linse, as well) are confusing retail call rating (*i.e.*, "toll charges") with intercarrier compensation. But the retail rating of a call to an end user and the intercarrier compensation for that call are distinct concepts. Retail rating of a call (as local, toll, or neither) does not necessarily determine how carriers should or will compensate each other for handling that call (and vice versa).

Second, the assessment of toll charges to retail traffic has nothing to do with the "physical locations at which" carriers interconnect their networks, so VNXX assignments do not disrupt call routing.

I agree with Mr. Brotherson that telecommunications traffic arrives at the correct destination on the basis of the industry-standard, regularly published routing rules of the LERG, which all carriers—wireless, local, and interexchange—must honor. But he is mistaken that the point of interconnection between interconnecting carriers has any bearing whatsoever on "assess[ing] toll charges to a call," as I explain below using diagrams of two different calling scenarios. For any carrier to receive traffic from another carrier, at least one NPA/NXX code must be "activated" in the LERG for a specific geographic area. For purposes of the LERG, the relevant geographic areas are "rate centers," as defined by the ILECs' state-approved tariffs and by reference to the ILECs' service territories.

With this in mind, a CLEC activating an NPA/NXX in the LERG assigns that NPA/NXX to a specific rate center based on internal business decisions as to the area within which it offers service. The CLEC's assignment of that NPA/NXX to a rate center means that other customers within that rate center can reach the CLEC's customers using a local dialing plan—that is, without having to dial "1+." In other words, LERG identification is based on assignments by the respective carriers, rather than where the switches — or point(s) of interconnection — are located, especially for non-legacy CLEC networks, like Verizon Access's.

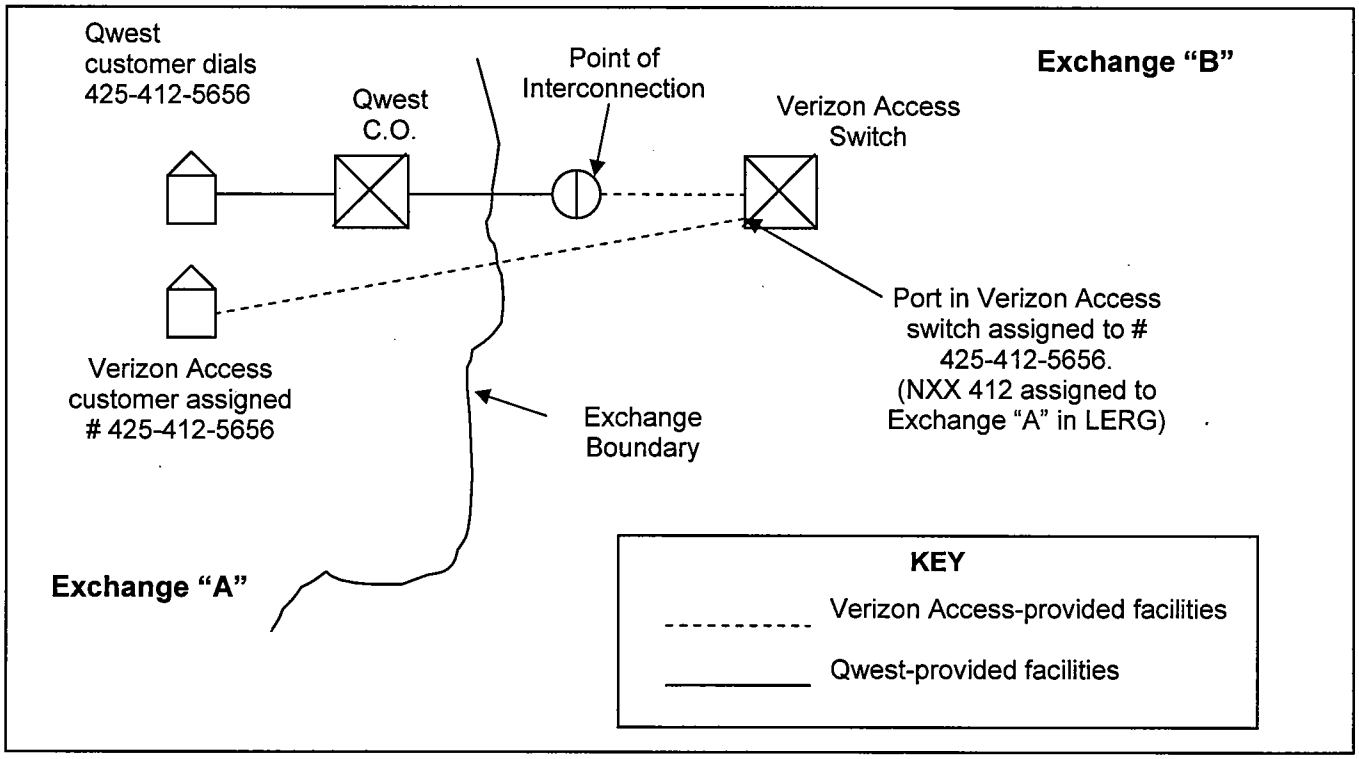
Q. MESSRS. WILLIAMSON (WILLIAMSON DIRECT, EXHIBIT NO. __ T (RW-1T) AT 1) AND LINSE (LINSE DIRECT, EXHIBITPL-1T AT 12) STATE THAT THE CLEC PRACTICE OF ASSIGNING VNXX CODES VIOLATES INDUSTRY TELEPHONE NUMBER ASSIGNMENT GUIDELINES. DO YOU AGREE?

A. No. In fact, the passage from the Central Office Code Assignment Guidelines ("COCAG") that both witnesses quote is best interpreted in just the opposite way. That paragraph (section 2.14 of the COCAG) expressly recognizes that there are "exceptions" —plural—to assignment of central office codes in the same physical area where the central office is located. Mr. Linse concludes that because the paragraph mentions just one example of an exception — "for example, tariffed services such as foreign exchange service" — (Linse Direct, ExhibitPL-1T at 12, quoting COCAG section 2.14), only one exception exists. That reading defies common sense; it is more reasonable to conclude that a reference to one "example" of "exceptions" to geographic number assignment means that more such exceptions exist.

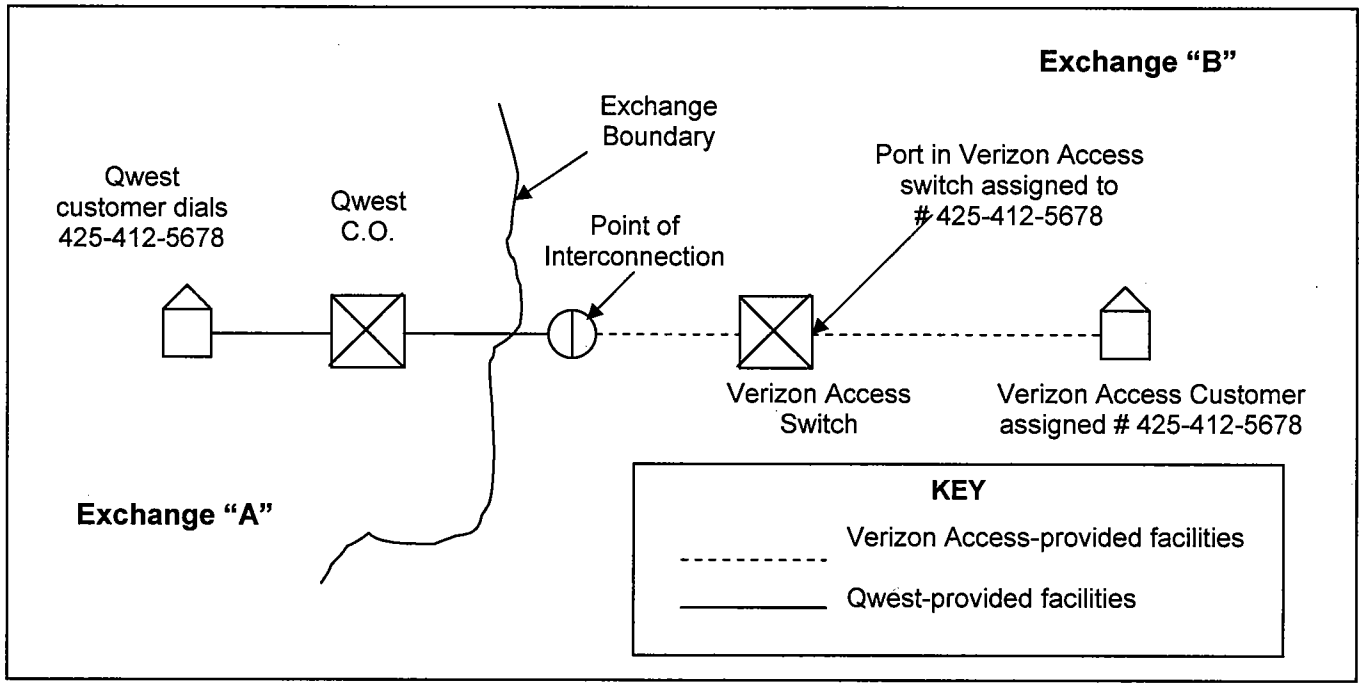
Q. ALTHOUGH MESSRS. BROTHERSON AND WILLIAMSON RECOGNIZE THAT CLEC AND ILEC NETWORK ARCHITECTURES ARE DIFFERENT, DO THEY RECOGNIZE HOW THESE DIFFERENCES HELP EXPLAIN THE OPPOSING VIEWS ON COMPENSATION?

A. No. The comparison and contrast between the two scenarios in the diagrams below highlights the traditional views of ILECs (the view the Staff and Qwest adopt here) and CLECs on compensation for VNXX calls.

Local Call Example: ILEC to CLEC



"VNXX" Call Example: ILEC to CLEC



Q. HOW ARE THE TWO SCENARIOS SIMILAR?

A. In both scenarios, the calls from the Qwest customer to the Verizon Access customer are handled by both carriers in precisely the same manner. In both cases, Qwest's switch routes its customer's call to interconnection trunks with Verizon Access, and Qwest hands the call off to Verizon Access at the point of interconnection ("POI"). And in both scenarios, when Verizon Access recognizes the incoming call from Qwest's customer, it switches that call to the appropriate facility for termination to its customer. Note that the LERG assignment of the 425-412 NPA-NXX in both examples by Verizon Access is for Qwest's Exchange "A" rate center.

Q. HOW ARE THE TWO SCENARIOS DIFFERENT?

A. There is only one difference between the two scenarios, and that is the location of the Verizon Access customer. In the first ("Local Call Example") scenario, both the Qwest and the Verizon Access customers are in Exchange "A." In the second ("VNXX Call Example"), however, the Verizon Access customer is no longer in the same exchange as the Qwest customer. Importantly, in both scenarios, the POI — and thus the transport Qwest must provide to deliver the call to Verizon Access — is the same. The term "virtual NXX" or "VNXX" applies to this second situation in which the Verizon Access customer in Exchange B (as defined by Qwest) has been assigned a telephone number (NXX) associated with a rate center in Exchange A. The single difference between the two scenarios is at the root of the industry's policy dispute about VNXX compensation.

Q. DOES YOUR DISCUSSION DIFFER FROM MR. LINSE'S DESCRIPTION OF HOW QWEST'S SWITCHES KNOW WHAT CALLS ARE LOCAL AND HOW SUCH CALLS ARE ROUTED? (LINSE DIRECT, EXHIBITPL-1T AT 3-5.)

A. Not generally. In the "local call" example diagram above, Qwest would program its switch(es) in "Exchange A" to recognize that Verizon Access's 412-425 NPA-NXX is identified in the LERG as "local" to Qwest's "Exchange A." Then, when the Qwest customer dials a 412-425-xxxx number, the Qwest switch would recognize that the call has to route to interconnection trunks, and the call is passed to Verizon Access at the POI where traffic between the two networks is exchanged. It is worth repeating that regardless of the physical location of the Verizon Access customer, the call from Qwest's customer will always be delivered by Qwest to the

same, designated POI.

Q. USING YOUR ILLUSTRATIONS, PLEASE SUMMARIZE THE TRADITIONAL OPPOSING VIEWS OF CLECS AND ILECS ON VNXX COMPENSATION.

A. The traditional CLEC perspective is that VNXX calls are local, so the CLEC should receive reciprocal compensation for terminating them. This view derives from two basic points. First, the CLEC's LERG assignment for the NXX — 412-425 in the illustrations — was made for the Exchange "A" rate center, and calls to numbers assigned to the same rate center are typically rated as "local" for retail billing to the calling party. Second, because these calls are rated as local, CLECs typically take the position that they should receive the compensation applicable to local calls — that is, reciprocal compensation — for the functions they provide in terminating traffic from the ILEC's customer.

The traditional ILEC perspective arises from its historic position as a provider of exchange access services to interexchange carriers. In the exchange access arena, ILECs receive access charges for the functions they provide to originate jurisdictionally interexchange "toll" calls, so they contend that access charges should apply to interexchange VNXX calls. ILECs have also expressed concern that VNXX traffic may increase the amount of traffic for which the ILEC is providing a substantial amount of transport, especially if the CLEC has only a single POI in the LATA.

The customary ILEC and CLEC positions are, therefore, diametrically opposed.

The ILEC position is that it is providing an originating exchange access function, so it should be compensated according to its switched access tariffs—as Messrs. Brotherson and Williamson contend. The CLEC perspective is that it is terminating "local" traffic originated by another LEC, so it should receive reciprocal compensation. The dispute is further complicated by fact that, as I noted earlier, the overwhelming majority of VNXX traffic is not voice, but dial-up Internet traffic. The ILECs' customers are dialing these virtual NXX numbers with their computer modems for purposes of accessing Internet service providers such as America Online, Microsoft Networks, Earthlink and others.

Q. DO MESSRS. WILLIAMSON AND BROTHERSON RECOGNIZE THAT THE FCC INTENDS TO ADDRESS VNXX COMPENSATION ISSUES?

A. Yes, they do (Williamson Direct, Exhibit No. __ T (RW-1T) at 21-22; Brotherson Direct, Exhibit_LBB-1T at 24), but they nevertheless advise the Commission to address VNXX issues now. The FCC has expressed its intention to definitively resolve the issue of VNXX compensation in its ongoing Intercarrier Compensation Rulemaking. (*See Developing a United Intercarrier Compensation Regime*, Notice of Proposed Rulemaking, CC Docket No. 01-92 (April 27, 2001) and Further Notice of Proposed Rulemaking (March 3, 2005).) The pleading cycle in that case has concluded, and a decision is pending. To the extent that the FCC's resolution of VNXX usage and compensation issues is inconsistent with any decision this Commission might reach on Qwest's Complaint for an Order prohibiting VNXX, this Commission's decision will be preempted. Therefore, the best course is for this Commission to defer to the FCC and decline to consider Qwest's Complaint at this time.

Q. HOW SHOULD THE VNXX COMPENSATION ISSUE BE ADDRESSED IN THE MEANTIME?

A. There is no need to resort to the usual, polarized win-lose paradigm of regulatory decision-making that is reflected in Staff's and Qwest's direct testimony (and that I expect to see in the CLECs' response testimony, as well). Messrs. Brotherson and Williamson do not appear to recognize that there is another alternative. That alternative — which is, in fact, the industry trend, led by the largest ILECs and CLECs —is toward negotiated, market-based solutions. Verizon Access, for example, negotiated and implemented region-wide "unitary rate agreements" with SBC (prior to its merger with AT&T) and with Verizon (prior to its merger with MCI), and would like to do the same with Qwest. The Verizon ILECs, likewise, implemented intercarrier compensation agreements with AT&T (before its merger with SBC) and pre-merger MCI. Although these agreements differ in their specifics, each includes a fundamental trade-off under which the CLEC receives compensation for handling VNXX calls originated by the ILEC, in exchange for the CLEC's commitment to accept greater responsibility for transporting the traffic from the ILEC's originating end office. The level of compensation varies from one agreement to another, as do the CLECs' network architecture commitments. But these agreements negotiated by major ILECs and CLECs — and then adopted by yet more CLECs — are a relatively consistent marketplace resolution by sophisticated adversaries of an otherwise difficult regulatory problem. They avoid the uncertainty of disparate, state-specific outcomes that may result from litigation; they eliminate billing and invoicing problems for multi-state carriers; and they allow parties to appropriately weigh their own business interests.

At least until the FCC decides the VNXX usage and compensation issues, the Commission should strongly encourage the parties to try to voluntarily negotiate such intercarrier compensation agreements. If they cannot agree on compensation terms, the Commission may impose such terms in arbitrations of new agreements. Of course, as long as existing interconnection agreements (including the Qwest/Verizon Access agreement) remain in place, their intercarrier compensation provisions will continue to govern.

Q. DOES THIS CONCLUDE YOUR RESPONSE TESTIMONY?

A. Yes.

Docket No. UT-063038
Verizon Responses to Qwest Data Request Nos. 1 – 11
and Requests for Admission Nos. 1 – 11

QWEST DATA REQUEST NO. 1:

Identify all specific services offered by Verizon to ISP that serve end user customers in Washington. Provide a narrative description of each such service.

RESPONSE:

Verizon Access Transmission Services ("Verizon Access") does not offer services to Internet service providers ("ISPs"). To the extent that this request seeks information about affiliates of Verizon Access, Verizon objects to the request as irrelevant and beyond the scope of this proceeding, in which Qwest has complained that Verizon Access (not any affiliate of Verizon Access) is violating Qwest's tariffs and particular provisions of Washington law. Without waiving this objection, Verizon Access responds that MCI Communications Services, Inc., d/b/a Verizon Services ("Verizon Services"), which is not a party to this proceeding, provides interexchange and enhanced services throughout the country. One such service gives large customers (typically, ISPs or corporations) the ability for their users to connect to these customers' Internet-protocol ("IP")-enabled networks using land-line, dial-up telephone service. Verizon Services' offerings of this type are customized to the needs of the individual customer and provided solely under multi-state contracts that do not include state-specific rates or terms.

Prepared by: Don Price - Director - State Regulatory Policy - Verizon Business
Date: September 25, 2006
Witness: TBD