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

In the Matter of the Petition of)	
QWEST CORPORATION)	Docket No. UT - 030614
)	
For Competitive Classification of)	
Basic Business Exchange)	
Telecommunications Services)	

**DIRECT TESTIMONY
OF
DUDLEY R. SLATER**

INTEGRA TELECOM OF WASHINGTON, INC.

August 13, 2003

1 **Q: PLEASE STATE YOUR, NAME, BUSINESS ADDRESS AND EMPLOYMENT.**

2 **A:** My name is Dudley Slater and my business address is 19545 NW Von Neumann Drive,
3 Suite 200, Beaverton, Oregon 97006. I am employed by Integra Telecom, Inc., parent
4 corporation of Integra Telecom of Washington, Inc. (“Integra”) as the Chief Executive
5 Officer.

6 **Q: PLEASE REVIEW YOUR PRESENT RESPONSIBILITIES.**

7 **A:** I am a member of the Board of Directors for Integra and all of the Integra companies as
8 well as the Chief Executive Officer of Integra.

9 **Q: BRIEFLY OUTLINE YOUR EMPLOYMENT BACKGROUND.**

10 **A:** I have had over 18 years in competitive business and telecommunications experience
11 including my role as co-founder of Integra. Since founding Integra in 1996 I have served
12 in various operational, financial and administrative capacities including the positions of
13 President, COO and CFO. I have also been a member of Integra’s Board of Directors
14 since the Company’s founding in 1996. Prior to co-founding Integra, I served as a
15 Principal of Rural Link Communications (RLC), another company that I founded which
16 financed and completed a number of investments in operating telephone properties. I have
17 extensive experience in acquiring and managing local and competitive local telephone
18 properties. As Assistant Vice President of Business Development and Chairman of the
19 Transition Committee for Pacific Telecom, Inc (PTI). I managed the heads of all PTI
20 departments and relevant operating units in the process of migrating acquired properties
21 onto PTI’s common support systems and operating platforms. My experience includes
22 many unique and highly complex transactions in the local telephone, cable television,
23 cellular telephone and international communications industries. I received a Bachelor of
24 Science degree in Geophysics from the University of California, Los Angeles and a
25 Masters in Business Administration from the Harvard Business School.

1 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION.**

2 **A:** No. I have not testified before the Washington Utilities and Transportation Commission.

3 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

4 **A:** The purpose of my testimony is to share with the Commission Integra's position relative
5 to Qwest Corporation's ("Qwest") request for competitive classification of Qwest basic
6 business exchange services in the State of Washington.

7 **Q: PLEASE GENERALLY DESCRIBE INTEGRA TELECOM OF WASHINGTON,**
8 **INC.'S OPERATIONS.**

9 **A:** The Washington Utilities and Transportation Commission (WUTC) first granted
10 Integra's, (formerly known as OGC Telecomm, LTD), application for registration as a
11 telecommunications company providing interexchange telecommunications services on
12 February 12, 1997. Docket No. UT-970032. The registration was amended on October
13 22, 1997 to include the authority to provide intraexchange telecommunications services,
14 Docket No. UT-971128, and on August 12, 1998, Integra was granted authority as a
15 competitive telecommunications company. Docket UT-970874. The corporation
16 changed its name to Integra Telecom of Washington, Inc. on February 25, 2000.

17
18 Integra has three offices in the State of Washington. The regional office is located at:
19 20435 72nd Avenue, Suite 150, Kent, Washington 98032. Integra maintains a sales office
20 and backoffice support at: 1220 Main Street, Suite 260, Vancouver, Washington 98660,
21 and a sales office at: Bellevue, Washington. Integra owns and operates a
22 telecommunications switch (Lucent 5ESS) located at the regional office in Kent, but like
23 most Competitive Local Exchange Carriers owns no other facilities (i.e. the local loop).
24 Integra purchases many products and services, including but not limited to: the local loop
25

1 and transport, from Qwest on a resale/wholesale and unbundled basis and is reliant upon
2 Qwest for the last mile connection to the customer.

3
4 Integra's primary target customer is the small business owner with as few as two to three
5 employees to as many as several hundred employees. We sell local exchange services, as
6 well as long distance, internet, and other data services. We recently updated and refiled
7 our Washington Price List. Price List No. 5 is available on our external web site at:
8 www.integratelecom.com/about/Washington_Price_5.pdf

9
10 Integra has made a significant investment in the State of Washington and had planned to
11 continue to develop this market.

12 **Q: DOES INTEGRA OBJECT TO THE COMPETITIVE CLASSIFICATION OF**
13 **QWEST'S BASIC BUSINESS EXCHANGE TELECOMMUNICATIONS**
14 **SERVICES?**

15 **A:** Yes. The Commission's purpose is to foster competition, as mandated by the
16 Telecommunications Act of 1996. Competitive classification of Qwest's basic business
17 exchange services will undermine that goal and effectively destroy competition in the
18 State of Washington. Were the Commission to grant Qwest's request for competitive
19 classification of its basic business exchange telecommunications services the Commission
20 would be creating a permanent and unfair competitive disadvantage for Companies like
21 Integra and, at the same time, eliminate the WUTC's ability to responsibly oversee and
22 govern the competitive health of the telecommunications market place.

1 **Q: DOES INTEGRA OFFER PRODUCTS AND SERVICES IN THE STATE OF**
2 **WASHINGTON IN DIRECT COMPETITION WITH QWEST?**

3 **A:** Yes. Integra's product set is described in its Washington Price List No. 5. (Submitted
4 July 31, 2003, in response to Order No. 09, Order Requiring Further Disclosure of
5 Information.) Qwest has requested competitive classification of what appears to be most
6 of Qwest's retail business services in the State of Washington many of which Integra
7 directly competes.

8 **Q: IS QWEST DIFFERENT THAN OTHER COMPANIES THAT INTEGRA**
9 **COMPETES AGAINST IN THE STATE OF WASHINGTON?**

10 **A:** Yes. Qwest is Integra's largest and financially strongest competitor in the State of
11 Washington. By its own admission, Qwest dominates the Washington market with a
12 market share of 78% to 93% in the various geographic areas in the State of Washington.
13 (Qwest Petition, Table B, Page 8). More worrisome, however, is the fact that Qwest,
14 unlike other companies that Integra competes against in Washington, owns the critical
15 last mile. Ownership of the last mile gives Qwest an unfair advantage in the supply and
16 use of the most difficult to replicate and, therefore, the most important piece of the
17 telecommunications network. Qwest has a monopoly on the last mile. Qwest is Integra's
18 number one vendor in the State of Washington for DS0 and DS1 loops as well as for
19 transport.

20 **Q. HOW DOES QWEST'S MONOPOLY OF THE LAST MILE RELATE TO THE**
21 **QWEST PETITION FOR DECLASSIFICATION OF BUSINESS SERVICES?**

22 **A.** A CLEC, such as Integra, is totally reliant upon and subject to the monopoly position
23 Qwest enjoys in its ownership of the last mile. The health of the competitive market
24 intimately depends on the relationship between Qwest's UNE prices for the last mile and
25 Qwest's underlying cost structure. Historically, the WUTC has consistently set Qwest's

1 retail service prices using a methodology that also relies on Qwest's underlying cost
2 structure. This common linkage of utilizing Qwest's underlying cost structure to set both
3 UNE and retail rates has created an important and intimate relationship between Qwest's
4 'wholesale' (UNE) and 'retail' rates that competitive entrants like Integra have relied
5 upon. To sever and break apart this relationship would seriously and negatively impair
6 the competitive forces the WUTC and the Telecommunications Act of 1996 have
7 attempted to foster. Because of the importance of this wholesale/ retail price relationship
8 and because the last mile product remains under monopoly control by Qwest, the granting
9 by the WUTC of Quest's request for competitive classification of its basic business
10 telecommunications services would be a grave and competitively fatal mistake.
11 Moreover, the negative impact such action would have on the competitive market would
12 significantly undermine and effectively eliminate the healthy competitive environment
13 Qwest relies upon as justification for its request in granting competitive classification.
14 Presently, the WUTC has regulatory oversight for both the Qwest wholesale UNE
15 offerings and the Qwest retail offerings that directly compete against Integra and all other
16 CLECs. This WUTC oversight ensures both the wholesale and retail operations of Qwest
17 are not anti-competitive, are in accordance with laws, are not being cross-subsidized, and
18 together foster competition. As long as the last mile remains under monopoly control by
19 any single competitor it is vital that the WUTC continue to exercise its responsibility
20 insuring the above relationship is not abused for the competitive advantage of any single
21 competitor. If the WUTC were to declassify Qwest's business services then, the
22 regulatory oversight and regulatory enforcement mechanisms will be displaced. It is
23 imperative that the WUTC maintain control over both the wholesale and retail services
24 provided by any competitor that enjoys a monopoly over any element of this important
25 and intertwined market.

1 **Q. HOW DOES A CLEC DETERMINE WHETHER A MARKET IS COMPETITIVE**
2 **AND WILL CONTINUE TO INVEST ITS FINANCIAL RESOURCES IN THAT**
3 **MARKET?**

4 **A.** A CLEC cannot compete and continue to service customers if the margin between the
5 UNE rates and their largest competitor Qwest is so narrow or non-existent that the
6 CLEC's costs cannot be recovered. Further, the ability of any competitive entrant to raise
7 expansion capital is substantially impaired when Qwest's UNE rates continue to be
8 revised with compliance filings and open dockets thereby creating uncertainty with regard
9 to the underlying cost structure for CLECs. The Federal Communications Commission
10 Triennial Review Order not yet issued and further state proceedings yet to be instigated,
11 there is much uncertainty around the UNE structure. Furthermore, it has been reported
12 that the Federal Communications Commission will commence a proceeding to review the
13 UNE TELRIC pricing methodology creating additional uncertainty. The WUTC must
14 maintain full regulatory control over both Qwest's retail and wholesale rates because in
15 today's environment the last mile is economically and technically impossible for a CLEC
16 to duplicate and leaves the CLEC totally reliant upon Qwest, its number one competitor.

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18 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

19 **A:** Yes.
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