

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the )  
 ) Docket No. UT-003013  
Continued Costing and Pricing of )  
Unbundled Network Elements, Transport, )  
Termination, and Resale )  
\_\_\_\_\_ )

PART B RESPONSE TESTIMONY

OF

REX KNOWLES

On Behalf of

XO Washington, Inc., f/k/a NEXTLINK Washington, Inc.

October 23, 2000

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

2           A.     My name is Rex Knowles. I am a Vice President Regulatory for XO Communications,  
3                 111 East Broadway, Suite 1000, Salt Lake City, Utah 84111. I previously provided  
4                 testimony in Part A of this proceeding on behalf of XO Washington, Inc., f/k/a  
5                 NEXTLINK Washington, Inc. (“XO”), on whose behalf I am providing this response  
6                 testimony.

7           **Q.     WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?**

8           A.     The purpose of my testimony is to address policy issues arising from the following  
9                 subjects: (1) reciprocal compensation; (2) compensation for interconnection facilities;  
10                (3) cost recovery for additional modifications Qwest Corporation, f/k/a U S WEST  
11                Communications, Inc. (“Qwest”) has allegedly made to its operations support systems  
12                (“OSS”); (4) “No Build” rules proposed by Verizon Northwest Inc., f/k/a GTE Northwest  
13                Incorporated (“Verizon”); (5) restrictions on the ability of competing local exchange  
14                carriers (“CLECs”) to convert tariff services to unbundled network elements (“UNEs”);  
15                and (6) Qwest’s inquiry and field verification charges for access to poles, ducts, conduits,  
16                and rights of way.

17  
18           Reciprocal Compensation. I address several issues with respect to reciprocal

1 compensation. I recommend that the Commission reject any reciprocal compensation  
2 proposal that does not include transport as a rate element when traffic is exchanged at the  
3 incumbent local exchange carrier (“ILEC”) tandem. I also recommend that the  
4 Commission continue to deny Qwest’s request to limit a CLEC’s entitlement to the  
5 tandem interconnection rate and that the Commission refuse, yet again, to reconsider its  
6 many prior decisions requiring the payment of reciprocal compensation for traffic bound  
7 for Internet Service Providers (“ISPs”).

8  
9 Compensation for Interconnection Facilities. The ILECs refused to address the issue of  
10 cost sharing for facilities used to interconnection their networks with competitors’  
11 networks in their direct testimony, so I address this issue in the first instance. I  
12 recommend that the Commission establish the principle that each carrier be responsible  
13 for the forward-looking costs of facilities actually used for interconnection in proportion  
14 to the amount of local traffic, including ISP-bound traffic, that the carrier delivers to the  
15 other carrier for transport and termination. I also identify the services and facilities the  
16 costs of which should be subject to this principle.

17  
18 OSS Cost Recovery. Qwest seeks additional recovery of OSS transition costs allegedly

1 incurred as a result of the FCC's *UNE Remand Order*, and Verizon purports to reserve  
2 the right to do the same. The general issues of the propriety of imposing such costs  
3 entirely on CLECs and their customers has already been addressed in Part A of this  
4 docket, but Qwest's latest amendment to its request raises the additional issue of the  
5 likelihood that serial requests for more cost recovery will create a permanent and  
6 insurmountable barrier to entry. Consistent with my recommendations in Part A, I  
7 recommend that the Commission deny Qwest's proposal.

8  
9 "No Build" Rule. Verizon seeks authority from the Commission to refuse to provide  
10 UNEs if facilities are not available, even though Verizon would construct facilities if the  
11 CLEC or another customer ordered them out of the tariff, rather than as UNEs. The  
12 Commission should reject Verizon's discriminatory and anticompetitive proposal.

13  
14 UNE Conversion. Both Verizon and Qwest propose restrictions on CLECs' ability to  
15 convert tariff services to UNEs. Qwest proposes to charge full non-recurring charges for  
16 the UNEs as if they had been newly ordered, as well as an additional exorbitant and  
17 retroactive surcharge, while Verizon would impose termination liability. The  
18 Commission should reject all of these proposals.

1  
2 Poles, Ducts, Conduits & Rights-of-Way. Qwest proposes inquiry and field verification  
3 fees when a CLEC requests access to Qwest poles, ducts, conduits, or rights-of-way, but  
4 Qwest provides no cost study or any other evidence to identify or quantify the costs of the  
5 activities Qwest proposes to undertake as part of the inquiry and field verification  
6 processes. The Commission should reject Qwest's proposal and refuse to authorize any  
7 such charges.

#### 8 **I. RECIPROCAL COMPENSATION**

9 **Q. WHAT ISSUES DOES XO HAVE WITH RESPECT TO RECIPROCAL**  
10 **COMPENSATION?**

11  
12 **A.** XO has three issues with respect to reciprocal compensation: (1) calculation of the  
13 tandem interconnection rate; (2) applicability of the tandem rate to traffic delivered by an  
14 ILEC to a CLEC for termination; and (3) applicability of reciprocal compensation to ISP-  
15 bound traffic. Michael Starkey addresses these issues on behalf of XO and Focal  
16 Communications of Washington. Accordingly, I address only selected concerns with  
17 respect to each of these issues.

18 **Q. WHAT ARE THE CONCERNS WITH THE CALCULATION OF THE TANDEM**  
19 **INTERCONNECTION RATE?**

20 **A.** Qwest does not propose rates for reciprocal compensation, but Ms. Million states on page

1 7 of her Part B Direct Testimony that “for a usage based mechanism, Qwest believes that  
2 the switching rates already established by the Commission are the rates which would  
3 apply for reciprocal compensation.” While I agree that the Commission-approved end  
4 office switching rate should be the applicable reciprocal compensation rate for traffic  
5 delivered to the ILEC at its end office, the rate for traffic delivered to the tandem (or, as I  
6 discuss further below, to the CLEC) should include interoffice transport from the tandem  
7 to the end office as well as tandem and end office switching. The Commission should  
8 reject any reciprocal compensation proposal for tandem-delivered traffic that does not  
9 include a transport rate element.

10 **Q. WHAT ABOUT THE APPLICABILITY OF THE TANDEM RATE TO CLECS?**

11 **A.** The Part B Direct Testimony of Larry B. Brotherson addresses the applicability of the  
12 tandem reciprocal compensation rate to CLECs and recommends that the Commission  
13 deny that rate to CLECs when there are direct trunks between the CLEC switch and the  
14 Qwest end office. The Commission has consistently rejected this position in arbitrations  
15 between ILECs and CLECs, including the arbitrations between Qwest and MFS Intelenet  
16 of Washington, Inc. (“MFS”), in Docket No. UT-960323, and between Electric  
17 Lightwave, Inc. (“ELI”) and Verizon in Docket No. UT-980370. Qwest provides no new  
18 evidence that could support a reversal of the Commission’s prior decisions.

1  
2 FCC Rule 51.711(a)(3) requires the ILEC to compensate the CLEC at the tandem rate if  
3 the CLEC's switch "serves a geographic area comparable to the area served by the  
4 incumbent LEC's tandem switch," without any limitation on whether direct trunking  
5 exists between the CLEC switch and the ILEC end office. If the CLEC switch serves a  
6 geographic area comparable to the area served by the ILEC tandem, the CLEC is  
7 terminating traffic within that area regardless of whether the ILEC delivers the traffic  
8 through its tandem or directly from the end office. Stated differently, it is irrelevant  
9 whether the traffic *originates* from a Qwest end office or a Qwest tandem – the CLEC  
10 *terminates* that traffic to its customers located anywhere within the local calling area, *i.e.*,  
11 the area comparable to the geographic area served by the Qwest tandem.

12  
13 Mr. Brotherson ignores this reality, as typified by the lack of any willingness to apply his  
14 proposed "symmetry" in reciprocal compensation to Qwest. Qwest generally considers  
15 CLEC switches to be the equivalent of a Qwest end office switch, but Mr. Brotherson  
16 does not suggest symmetrical reciprocal compensation at the end office rate when the  
17 CLEC delivers traffic to a Qwest tandem. Undoubtedly, Mr. Brotherson would contend  
18 that Qwest is obligated to terminate traffic delivered to its tandem anywhere within the

1 tandem serving area and thus should be compensated accordingly. That same argument  
2 applies to traffic delivered to a CLEC switch for termination within a comparable serving  
3 area, whether Qwest delivers that traffic at its tandem or via direct trunks from its end  
4 office. A CLEC entitled to receive the tandem interconnection rate thus is entitled to  
5 receive that rate for *all* traffic it terminates.

6 **Q. WHAT CONCERNS DO YOU HAVE WITH THE APPLICABILITY OF**  
7 **RECIPROCAL COMPENSATION TO ISP-BOUND TRAFFIC?**

8 **A.** Again, the Commission has repeatedly and consistently concluded that reciprocal  
9 compensation must be paid for ISP-bound traffic, including in the arbitration between  
10 Qwest and MFS in Docket No. UT-960323, the arbitration between Verizon and ELI in  
11 Docket No. UT-980370, and the prior generic costing and pricing proceeding, Docket  
12 Nos. UT-960369, *et al.* Neither Qwest nor Verizon presents any evidence in this  
13 proceeding that has not been presented in prior proceedings with respect to whether ISP-  
14 bound traffic is or should be subject to reciprocal compensation. As reflected in the  
15 responses to Joint Intervenors' Data Requests attached as Exhibit \_\_\_\_ (RK-1), neither  
16 Qwest nor Verizon contend that payment of reciprocal compensation for ISP-bound  
17 traffic precludes them from earning their authorized rates of return, and Qwest has no  
18 evidence that any CLEC in Washington is abusing reciprocal compensation as Dr. Taylor  
19 suggests in his testimony. Qwest, moreover, is encouraging its residential customers in



1 Washington to make even more use of the public switched network to access the Internet,  
2 as reflected in Qwest marketing material distributed earlier this year and attached as  
3 Exhibit \_\_\_ (RK-2) offering 50% off the nonrecurring charge for additional lines and  
4 special offers on Qwest Internet Services. Qwest and Verizon thus would have the  
5 Commission deny CLECs the ability to recover the costs of delivering traffic to their ISP  
6 customers that the ILECs' subscribers originate, while simultaneously encouraging those  
7 subscribers to increase the volume of traffic bound for those ISPs. Such a proposal is  
8 anti-competitive on its face, and the Commission has properly rejected it.

9  
10 The Revised Initial Order submitted to the Commission for adoption in Docket Nos. UT-  
11 003022 and UT-003040 provides in paragraph 202 that the Commission's review of the  
12 issue of reciprocal compensation for ISP-bound traffic "is limited to reviewing pricing for  
13 reciprocal compensation, not reconsidering the Commission's position on the issue."  
14 This statement accurately reflects the issues that are properly before the Commission in  
15 this proceeding, and the Commission should limit its review accordingly.

16 **II. INTERCONNECTION FACILITY COMPENSATION**

17 **Q. WHAT ARE XO'S ISSUES WITH RESPECT TO COMPENSATION FOR**  
18 **INTERCONNECTION FACILITIES?**

19  
20 **A.** The Commission included compensation for interconnection facilities among the issues

1 to be addressed in Part B of this docket. Paragraph 15 of the Third Supplemental Order  
2 states, “Rates for intercarrier interconnection facilities (including rates currently priced  
3 through tariffs or ICB) will be considered along with the high capacity circuits in Part B.  
4 Cost sharing between carriers will be considered at the same time as the costing and  
5 pricing of specific network elements.” Neither Qwest nor Verizon addressed this issue,  
6 much less proposed any form of cost sharing for interconnection facilities. XO  
7 anticipated responding to the ILECs’ proposals – particularly Qwest’s proposals included  
8 in its Statement of Generally Available Terms (“SGAT”) – but now must initiate  
9 discussion of this issue.

10  
11 The concept of cost sharing for interconnection facilities is simple. Each carrier is  
12 responsible for the costs incurred to deliver traffic from its customers to the other  
13 carrier’s customers. Each carrier, therefore, should pay for the facilities installed to  
14 interconnect the carriers’ networks in proportion to the amount of traffic it delivers to the  
15 other carrier for termination. The ILECs apparently disagree with this concept.

16  
17 **Q. WHAT HAS QWEST PROPOSED IN THE SGAT IT FILED IN DOCKET**  
18 **NUMBERS UT-003022 AND UT-003040?**

19 **A.** Qwest’s SGAT provides that Qwest will pay a share of interconnection facilities in

1 proportion to the amount of local traffic (exclusive of ISP-bound traffic) that Qwest  
2 terminates to the CLEC based on the interconnection facilities Qwest provides. Qwest,  
3 however, refuses to pay any portion of the costs of any other facilities used to provide  
4 interconnection, including elements of collocation (or its equivalent) in the Qwest central  
5 office or CLEC office. My understanding is that Qwest takes the same position with  
6 respect to its obligations under existing interconnection agreements.

7 **Q. WHAT IS QWEST'S RATIONALE FOR THIS LIMITATION?**

8  
9 A. Qwest apparently believes that interconnection can be adequately accomplished through  
10 Qwest Entrance Facilities and transport between the carriers' switches, and that a CLEC's  
11 decision to interconnect through collocation is an option for which the CLEC should be  
12 solely responsible. Qwest, therefore, is willing to pay a portion only of the Qwest  
13 facilities that Qwest contends are needed to interconnect the carriers' networks.

14 **Q. WHAT IS XO'S POSITION?**

15  
16 A. XO strongly disagrees with Qwest's approach. XO and Qwest are responsible for  
17 installing and maintaining facilities used to interconnect their networks, and both  
18 companies should share the cost of all such facilities that are actually used to provide  
19 interconnection in proportion to their use of those facilities.

20

1 XO interconnects with Qwest primarily via facilities that XO has collocated in Qwest  
2 central offices. Carriers have experienced severe network blockage problems when  
3 interconnecting with Qwest due to facility shortages. XO obtained collocation in several  
4 Qwest central offices, in part, to minimize these blocking problems, as well as to  
5 minimize reliance on Qwest facilities and their attendant shortcomings. In addition,  
6 interconnection via collocation is more efficient because XO uses collocation not just for  
7 interconnection but to access Qwest unbundled network elements and to provide an  
8 alternative source of interoffice transport to other companies.

9  
10 A related issue is compensation for interconnection facilities that extend beyond the  
11 boundary of a Qwest local calling area. Qwest has withdrawn the local calling area  
12 provisions from its SGAT but has not affirmatively represented that it will pay its share of  
13 the cost of interconnection facilities beyond the Qwest local calling area. Inter-carrier  
14 compensation for interconnection facilities should not be restricted to the facilities within  
15 the Qwest local calling area. XO uses a single switch, rather than multiple switches, to  
16 serve broad geographic areas in Washington, which is the most efficient form of  
17 telecommunications network architecture, at least for a new entrant. XO has deployed  
18 one switch in Spokane to serve customers in that area and one switch in Seattle to serve

1 customers in the Puget Sound region. If carriers interconnect using collocation, therefore,  
2 the costs of that collocation and associated equipment attributable to interconnection  
3 should be shared proportionately, regardless of whether those facilities extend beyond 20  
4 miles or cross a local calling area boundary.

5  
6 Qwest's refusal to pay its proportional share of the facilities actually used for  
7 interconnection ignores the realities of how Qwest interconnects with CLECs and raises  
8 additional concerns. First, Qwest's position represents an implicit recognition that  
9 collocation is far more expensive than necessary if Qwest is not willing to pay its  
10 proportional share of the costs Qwest imposes to collocate facilities used for  
11 interconnection. Second, Qwest's position on this issue is fundamentally inconsistent  
12 with its position on other costing issues, *i.e.*, that CLECs should pay the costs of the  
13 actual network facilities, not a "hypothetical" network. If Qwest believes in its own  
14 advocacy, it should be willing to live by those principles and pay its share of the forward-  
15 looking costs for facilities that are actually used, not costs for facilities the parties are not  
16 using. Finally, the result of Qwest's position is that CLECs are required to shoulder more  
17 than their proportional share of the facilities used for interconnection, impermissibly  
18 driving up the costs of competitive entry.

1           **Q.     WHAT IS VERIZON’S POSITION?**

2  
3           A.     I don’t know. XO has only recently begun the process of entering into Verizon service  
4               territory in Washington, so I do not have direct experience with the amount of  
5               compensation for interconnection facilities Verizon is willing to pay. Based on Verizon’s  
6               position on reciprocal compensation for ISP-bound traffic, however, I expect that  
7               Verizon, like Qwest, is unwilling to pay for interconnection facilities used to exchange  
8               ISP-bound traffic. The same principles I have discussed with respect to Qwest would  
9               apply equally to Verizon.

10          **Q.     WHAT ARE THE INTERCONNECTION FACILITIES OF WHICH EACH**  
11          **INTERCONNECTING CARRIER SHOULD SHARE THE COSTS?**

12  
13          A.     ILECs and CLECs generally use three ways to interconnect their networks: (1) through  
14               facilities provided primarily by the ILEC; (2) through facilities constructed by each  
15               carrier to a meet point; and (3) through facilities provided primarily by the CLEC. Each  
16               scenario raises slightly different issues of cost sharing, but the principle remains the same.  
17               Each carrier should be responsible for its proportional share of the entire facilities used to  
18               interconnect the companies’ networks, and each company’s proportion is determined by  
19               the amount of traffic – including ISP-bound traffic – that the company routes over those  
20               facilities for termination by the other carrier.

21

1            ILEC-Provided Facilities. Qwest proposes cost sharing based on the circumstances when  
2            Qwest provides the interconnection facilities outside the CLEC switching center. These  
3            facilities include the “services” Qwest calls interconnection “Entrance Facilities,” which  
4            essentially represent a pathway through the Qwest central office or CLEC switching  
5            center to the switch, and “Transport,” which is the link between the Qwest central office  
6            and the CLEC switching center. I understand that Verizon provides similar facilities.  
7            FCC rules have established the presumption that the costs of these facilities will be  
8            determined based on the ILEC’s costs unless the CLEC can justify a higher cost for the  
9            facilities when the CLEC provides them. When the interconnecting carriers rely  
10           predominantly on ILEC-provided facilities, therefore, each carrier should pay its  
11           proportional share of the ILEC’s nonrecurring and recurring rates for 2 interconnection  
12           Entrance Facilities or equivalent facilities (one for the ILEC central office and one for the  
13           CLEC switching center) and Transport (measured as the airline mileage from the ILEC  
14           central office to the CLEC switching center).

15  
16           Meet Point. A seldom-used option for physical interconnection between CLECs and  
17           ILECs is to have each carrier construct facilities to a physical location between the ILEC  
18           central office and the CLEC switching center. The only difference between this option

1 and ILEC-provided facilities is that both carriers construct the transport element. The  
2 cost recovery, however, should be the same: each carrier should pay its proportional  
3 share of the ILEC's nonrecurring and recurring rates for 2 interconnection Entrance  
4 Facilities and Transport.

5  
6 CLEC-Provided Facilities. The third option for physical collocation is for the carriers to  
7 interconnect through facilities the CLEC collocates in the ILEC central office. In these  
8 circumstances, the CLEC provides the transport between its switching center and the  
9 ILEC central office, as well as the Entrance Facilities in the CLEC switching center. The  
10 interconnection Entrance Facility element equivalent for the Qwest central office,  
11 however, is substantially different when provisioned via collocation. Under these  
12 circumstances, elements from the ILEC's collocation service offerings used to deliver  
13 traffic between the networks would apply, including the following:

14 Qwest

- 15 (a) Collocation Entrance Facility (plus fiber costs if Express);  
16 (b) Cable Racking;  
17 (c) Multiplexing;  
18 (d) DS-1/DS-3 Terminations;



- 1 (e) Interconnection Tie Pair;  
2 (f) Expanded Interconnection Channel Termination (“EICT”); and  
3 (g) Engineering attributable to construction of these facilities;

4 Verizon

- 5 (a) Fiber Cable Pull – Engineering, Place Innerduct, and Labor (plus fiber  
6 costs);  
7 (b) Overhead Superstructure;  
8 (c) Multiplexing;  
9 (d) Facility Pull and Facility Pull/Termination - Engineering  
10 (e) DS-1/DS-3 Cable Terminations;  
11 (f) EICT; and  
12 (g) Engineering attributable to these facilities (to the extent not already  
13 included).

14 When interconnecting through collocated facilities, therefore, each carrier should be  
15 responsible for its proportional share of the ILEC recurring and nonrecurring rates for  
16 these collocation elements, as well as Transport and one interconnection Entrance Facility  
17 to represent facilities provided by the CLEC.

18 **III. OSS COST RECOVERY**

1           **Q.    WHAT ISSUES HAVE ARISEN WITH RESPECT TO OSS COST RECOVERY?**

2  
3           **A.**    Qwest has asked the Commission to authorize recovery of an additional \$1 million in  
4           expenditures Qwest allegedly has incurred or will incur to modify its OSS to be able to  
5           provide the additional elements and subelements the FCC required ILECs to make  
6           available to competitors in its *UNE Remand Order*. In Part A of this Docket I addressed  
7           CLECs' position that any such cost recovery should be competitively neutral and  
8           accomplished through an end-user surcharge, rather than through a per service order or  
9           other charge assessed on CLECs (and their customers) alone. I will not repeat that  
10          discussion here, but it is equally applicable to Qwest's request for additional OSS cost  
11          recovery.

12  
13          Qwest's proposal in Part B, however, raises a related issue. Having interpreted the  
14          Commission's order in the prior cost proceeding to authorize any and all OSS  
15          modification costs, Qwest apparently is embarking on a series of filings to identify, and  
16          seek recovery of, even more costs from CLECs. Verizon in its Post-Hearing Brief in Part  
17          A similarly purports to reserve the right to seek recovery of additional OSS transition  
18          costs in the future. If the Commission permits such serial requests for more cost  
19          recovery, the result will be that CLECs will be assessed an OSS "transition" rate that

1 never ends and grows ever larger with each ILEC filing. In other words, Qwest and  
2 Verizon seek authority to construct longer and taller barriers to entry into the local  
3 exchange market in Washington until those barriers become insurmountable. The  
4 Commission should refuse to endorse such an anti-competitive proposal.

#### 5 **IV. VERIZON “NO BUILD” RULES**

6 **Q. WHAT ARE XO’S ISSUES WITH RESPECT TO VERIZON’S “NO BUILD”**  
7 **RULES?**

8  
9 A. Among Verizon’s proposed terms and conditions for providing UNE combinations are its  
10 so-called “No Build” rules. Essentially, Verizon takes the position that it need not  
11 provide UNEs to competitors when facilities are not available and that it may prohibit  
12 CLECs from buying a tariffed service that includes those UNEs and later converting that  
13 service to UNEs. *See* Phase B Direct Testimony of R. Kirk Lee at 18. The Commission  
14 should reject Verizon’s “No Build” rules as blatantly discriminatory and anti-competitive.  
15  
16 Verizon does not even attempt to justify its “No Build” rules, and I am not aware of any  
17 justification for such rules. The purpose of this docket, and the Commission’s prior  
18 costing and pricing proceeding, is to establish prices for UNEs that ensure that the ILECs  
19 are able to recover their forward-looking costs, including forward-looking common costs,  
20 to provide those elements. Verizon cannot legitimately refuse to construct facilities for

1 CLECs at rates that cover the cost of those facilities when Verizon undertakes such  
2 construction for other customers, including end users and other carriers. Indeed,  
3 Verizon’s “No Build” rules contemplate that Verizon will construct facilities for a CLEC  
4 if those facilities are purchased under a tariff but will not construct those same facilities if  
5 the same CLEC orders them as UNEs. Verizon’s “No Build” rules thus provide a  
6 textbook example of discrimination. The Commission should reject Verizon’s “No  
7 Build” rule and require Verizon (as well as Qwest) to construct facilities provided as  
8 UNEs or combinations of UNEs on the same terms and conditions that it constructs those  
9 facilities when Verizon provides them as part of a tariffed service.

10 **V. UNE CONVERSION**

11 **Q. WHAT ISSUES DOES XO HAVE WITH RESPECT TO CONVERTING**  
12 **TARIFFED SERVICES TO UNEs?**

13  
14 A. In its *UNE Remand Order*, the FCC required ILECs upon request and under certain  
15 circumstances to convert to UNEs circuits provisioned to CLECs out of the ILECs’  
16 special access and private line tariffs. These circuits would include DS-1, DS-3, and  
17 other high capacity circuits, as well as the combination of loop, dedicated transport, and  
18 multiplexing known as enhanced extended loops (“EELs”). The prerequisite for  
19 converting these circuits to UNEs is that they be used to provide a significant amount of  
20 local exchange, as opposed to special access, service.

1  
2 The conversion of a special access or private line circuit to UNEs should require nothing  
3 more than a change in the ILECs' records and billing system, which should be able to be  
4 accomplished for a minimal, if any, charge. Neither Qwest nor Verizon has proposed  
5 such a charge, despite being on notice from the Commission that conversion charges were  
6 to be addressed in Part B of this docket. Both of the ILECs, however, have either  
7 proposed or imposed constraints on CLECs' ability to convert existing services to UNEs.

8 **Q. WHAT CONSTRAINTS DOES QWEST IMPOSE?**

9 **A.** In response to inquiries about converting tariff services to UNEs, Qwest has informed XO  
10 of two types of charges that Qwest will impose. First, Qwest has stated that it intends to  
11 charge XO the full nonrecurring charge for the elements (or combination of elements), as  
12 if XO were ordering new UNEs, rather than using the elements that are already in place.  
13 Second, Qwest intends to impose a surcharge on XO if, as the FCC has required, XO  
14 certifies that the facilities it obtains out of the Qwest tariff are used to provide local  
15 service. Qwest proposes to calculate the surcharge as monthly recurring charges of \$25  
16 per DS-0, \$600 per DS-1, and \$16,800 per DS-3, and the surcharge would apply  
17 *retroactively* to the date when Qwest initially provisioned these facilities to XO as a tariff  
18 service.

1  
2 Qwest effectively would eliminate the FCC's requirement that ILECs convert tariffed  
3 services to UNEs. No CLEC will pay the full nonrecurring charge for the elements plus a  
4 retroactive charge of \$600 per month to convert a DS-1 tariff service to a DS-1 loop or  
5 EEL. Indeed, the combination of the full nonrecurring charge and even one month's  
6 surcharge would almost triple the nonrecurring charge Qwest has proposed for ordering  
7 and installing a new DS-1 loop or EEL. Nor is a CLEC likely to disconnect the tariff  
8 service only to reinstall it as a UNE or UNE combination and risk taking the end user  
9 customer out of service for a significant amount of time. In light of Qwest's failure to  
10 provide a cost justification for *any* charge to convert a tariffed special access or private  
11 line service to UNEs, the Commission should refuse to permit Qwest to impose any  
12 charge on such conversions.

13 **Q. WHAT LIMITATIONS HAS VERIZON PROPOSED?**

14 **A.** Verizon witness R. Kirk Lee states in his Part B Direct Testimony on page 17 that  
15 “[w]hen converting from special access rates to UNE rates, the full termination liability  
16 will apply, if applicable.” I assume Mr. Lee refers to any termination liability applicable  
17 to a customer that opts for a long-term contract, rather than the standard month-to-month  
18 tariff terms and conditions, and terminates the contract prior to the end of the contract

1 term. A CLEC, however, should not be compelled to pay termination liability when it  
2 continues to receive the same facilities from Verizon.

3  
4 Termination liability should be no higher than the amount needed to ensure that Verizon  
5 recovers its costs to provide the facilities. As discussed above, the Commission is  
6 establishing rates in this proceeding that provide such an assurance. Accordingly, no  
7 termination liability is appropriate if the CLEC is merely converting the tariff service to  
8 UNEs as long as the contract price for that service equals or exceeds the UNE rates. The  
9 Commission, therefore, should reject Verizon's proposal to impose termination liability  
10 on CLECs converting tariff services to UNEs. The Commission should also make clear  
11 that Qwest, as well as Verizon, cannot impose such termination liability.

## 12 VI. POLES, DUCTS, CONDUITS & RIGHTS-OF-WAY

### 13 Q. WHAT ISSUES DOES XO HAVE WITH RESPECT TO POLES, DUCTS, 14 CONDUITS, AND RIGHTS-OF-WAY?

15  
16 A. In the context of the Commission's review of Qwest's SGAT and compliance with  
17 Section 271, XO raised the issue of the reasonability of the fees Qwest proposes to charge  
18 for inquiry and field verification in connection with CLEC requests for access to Qwest  
19 poles, ducts, conduits, and rights-of-way. The Commission deferred consideration of this  
20 issue to this docket, as it deferred all pricing issues, and Qwest has proposed the same

1 rates in this docket as it has proposed for inclusion in Exhibit A of its SGAT. Qwest,  
2 however, has provided no cost support or any other evidence that identifies, much less  
3 quantifies, the costs Qwest incurs to process requests for access to poles, ducts, conduits,  
4 and rights-of-way.

5  
6 The Direct Testimony of Perry W. Hooks provides a general description of inquiry and  
7 field verification fees and the proposed fees themselves, but none of the cost studies  
8 sponsored by Ms. Million include the costs used to calculate these fees. XO requested  
9 such information in Docket Numbers UT-003022 & UT-003040, including the activities  
10 Qwest undertakes when conducting an inquiry or field verification, but Qwest has never  
11 provided a response to that request. Qwest's proposal with respect to these charges thus  
12 is nothing more than a request that the Commission approve an arbitrary rate for activities  
13 that Qwest does not even identify. The Commission should reject Qwest's proposal. The  
14 Commission should also refuse to approve Qwest's SGAT or to certify that Qwest is in  
15 compliance with Section 271 until either Qwest removes these rates from its SGAT or the  
16 Commission establishes an appropriate rate.

17 **Q. HASN'T QWEST PROPOSED TO ALLOW CLECS TO PERFORM THEIR OWN**  
18 **FIELD VERIFICATIONS?**

19 **A.** Yes, but Qwest has not included that proposal in the testimony submitted in this docket,



1 and the language Qwest has proposed to include in its SGAT raises more cost issues than  
2 it resolves. In new Section 10.8.4.2.1 of Qwest's SGAT, Qwest requires the CLEC to pay  
3 not only for a Qwest-approved contractor to perform the field verification but also for a  
4 Qwest contractor to "monitor" the activity of the CLEC contractor at Qwest's current  
5 labor rate. Qwest also proposes to charge the CLEC "standard rates for Tactical Planner  
6 time" to evaluate drawings and documentation prepared by the CLEC and prepare a final  
7 field report. There is no limit on the amount of time for which the CLEC will be charged  
8 for these monitoring and verifying activities, which, in conjunction with the amounts the  
9 CLEC pays to the Qwest-approved contractor to perform the work, may result in the  
10 CLEC paying *more* to conduct its own field verification. Again, Qwest's proposal lacks  
11 evidentiary support and does not comply with its obligations to provide  
12 nondiscriminatory access to poles, ducts, conduits, and rights-of-way at just and  
13 reasonable rates.

14 **Q. WHAT ABOUT VERIZON?**

15 **A.** Verizon has proposed to address the issue of fees for processing CLEC applications for  
16 access to poles, ducts, conduits, and rights-of-way in individual contract negotiations or,  
17 if necessary, arbitrations. XO does not take issue with Verizon's proposal.

18 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

1           A.     Yes, it does.