BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

QWEST CORPORATION,	
	Docket No. UT-063038
Complainant	
v.	LEVEL 3 COMMUNICATIONS, LLC'S ANSWER TO COMPLAINT OF QWEST FOR AN ORDER PROHIBITING VNXX
LEVEL 3 COMMUNICATIONS, LLC; PAC-	
WEST TELECOM, INC.; NORTHWEST	
TELEPHONE INC.; TCG-SEATTLE;	
ELECTRIC LIGHTWAVE, INC.;	
ADVANCED TELECOM GROUP, INC.	
D/B/A ESCHELON TELECOM, INC.;	
FOCAL COMMUNICATIONS	
CORPORATION; GLOBAL CROSSING	
LOCAL SERVICES INC; AND , MCI	
WORLDCOM COMMUNICATIONS, INC.	
Respondents.	

I. INTRODUCTION

 Level 3 Communications, LLC ("Level 3") is an international communications and information services company headquartered in Broomfield, Colorado. Level 3 is a Delaware limited liability company and its address is 1025 Eldorado Boulevard, Broomfield, Colorado 80021. The company operates one of the largest, most advanced communications and Internet backbones in the world, is one of the largest providers of wholesale dial-up services to ISPs in North America, and a primary provider of Internet connectivity for millions of broadband subscribers through its cable and DSL partners.

2. Level 3 provides competitive local exchange telecommunications services in

Washington pursuant to this Commission's authorization by orders dated April 22, 1998, in

Dockets UT-980-490 and UT-980492. Level 3 maintains IP-based switching and routing

equipment at its Washington gateway located at 1000 Denny Way in Seattle, Washington.

3. Correspondence regarding this Petition should be sent to Level 3 at the following

address:

Greg Rogers, Director – State Regulatory Affairs Gregg Strumberger, Regulatory Counsel Level 3 Communications, LLC 1025 Eldorado Boulevard Broomfield, CO 80021 (720) 888-2512 (voice) (720) 888-5134 (facsimile) E-mail: greg.rogers@level3.com gregg.strumberger@level3.com

- and -

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II. SUMMARY

4. Qwest's complaint is an example of a wide ranging series of attacks on

competitive services by ILECs throughout the country. The entirety of Qwest's complaint is based on the false assumption that all services, those provided by Qwest and by its competitors, must be provided in a manner and via networks identical to Qwest's incumbent network architecture. The Commission must reject this premise. Qwest built its network over the course of century and did so with a guaranteed rate of return. Level 3 and other competitors have never had a captive customer base. They have had to work for every customer and gain the trust of shareholders and Wall Street to obtain funds necessary to build competing networks. Consequently, it is not surprising that competing networks which utilize advanced technologies and more efficient architectures are different from Qwest's incumbent network. Level 3's network was built from scratch less than 10 years ago and was deliberately designed to optimize Internet Protocol ("IP") technology and not replicate Qwest's circuit-switch-based historical network architecture.

5. In evaluating this complaint, the Commission must see through Qwest's attempt to limit the view of the discussion and look at the functionality being provided to the end user customer, both by Qwest via its FX and FX-like services and that offered by competing providers like Level 3 via FX-like services. The Commission will find that Level 3's FX-like service offering provides its customer with exactly the same functionality Qwest provides to its FX and FX-like customers – access to a local calling area beyond that where they are physically located. In summary, the Qwest complaint is without merit and must be dismissed with prejudiced.

Treating Competive Carriers' ISP-bound Traffic Differently than Qwest's Locally Dialed ISP-bound Traffic Doesn't Make Sense

6. Forcing Level 3 to mimic Qwest's historical network architecture needlessly introduces inefficiency that raises the costs of Level 3 and its customers for a range of services from VoIP to dial-up Internet access. Level 3's use of its co-carrier network to offer FX-like services, by contrast, impose no greater obligation on Qwest—i.e., Qwest must carry traffic to the same point of interconnection ("POI") with Level 3 regardless of where the traffic is routed by Level 3 after it reaches the POI.

7. Significantly, Significantly, Level 3's FX-like services do not generate additional costs for Qwest beyond those associated with interconnection for any other locally dialed traffic.

All traffic generated by Qwest end users to Level 3's customers is exchanged between the Qwest and Level 3 networks at the designated POI or POIs within a LATA or as negotiated by the Parties in their Interconnection Agreement. Qwest has the obligation to bring its traffic to the POI, regardless of where it originated within the LATA. From that point, Level 3 is responsible for all the transport associated with delivering the call to the called party. The same is true whether the Level 3 customer is physically located in the same local calling area as the Qwest customer originating the call or if the Level 3 customer is being provided with an FX-like service by Level 3 and is physically located in a calling area different from the call originator. Thus, Qwest's transport cost is solely determined by the location of the POI at which Qwest hands off the traffic to Level 3, and not by whether the Level 3 customer is located within Qwest's local calling area, or in a different local calling area or another state. Those transport costs are borne by Level.

8. Qwest's position would force ISPs and enhanced services providers that are not customers of Qwest to operate according to Qwest's historical network architecture. Indeed, if Qwest had its way, the only way for competitors to compete in the Qwest region would be to become customers of Qwest rather than interconnected co-carriers. Competitors would have to forego regional servers, and locate a server in every local calling area in Washington or resell retail PRI or wholesale dial-up services from Qwest. This type of backward-looking and discriminatory industrial policy would particularly harm consumers. Further, upon information and belief, Level 3 expects the record will show that not even Qwest requires its ISP customers to have modem banks located in every single calling area.

Washington Law Provides that the Federal Rules Governing Intercarrier Compensation for ISP-bound Traffic Apply to All ISP-bound Traffic, Including VNXX Traffic

9. Qwest alleges that Level 3 and other respondents are violating state law. Qwest is

wrong. This Commission's decision in Docket UT-023043 contradicts Qwest's position. In that

case, CenturyTel argued that the ISP Remand Order mandated compensation for ISP-bound

traffic only if the originating caller and the ISP server receiving the call are located in the same

local calling area. The Commission rejected this argument, stating:

CenturyTel argues that both the FCC and the D.C. Circuit Court [WorldCom] decisions characterize the issue as one of proper compensation for calls to local ISPs. CenturyTel emphasizes the use of the word "local." We believe CenturyTel reads too much into what are very general characterizations by the FCC and the appeals court of the issue before it. The substance of the decision makes no distinction based on the location of the ISP's modems, and doing so would be inconsistent with rationales previously offered by the FCC for its treatment of ISP-bound traffic. We believe the arbitrator properly rejected CenturyTel's argument.1

10. The Commission affirmed the arbitrator's decision that "ISP-bound calls enabled

by virtual NXX should be treated the same as other ISP-bound calls for purposes of determining intercarrier compensation requirements consistent with the FCC's ISP Order on Remand."² The Commission yet again affirmed its decision that the ISP Order on Remand applied to all ISP-bound traffic regardless of the point of origination and termination of the traffic.³ At the time of its decision, the FCC had determined that, if carriers were not exchanging ISP-bound traffic in the first quarter of 2001, then traffic exchanged after that date would be at bill and keep. This

¹ In the Matter of the Petition for Arbitration of an Interconnection Agreement between Level 3 Communications, LLC, and CenturyTel of Washington, Inc, Pursuant to 47 U.S.C. Section 252, Docket No. UT-023043, Seventh Supplemental Order: Affirming Arbitrator's Report and Decision, at ¶ 10 (February 28, 2003) ("Level 3/CenturyTel Arbitration Order").

² *Id.* at ¶¶ 1, 35.

³ Order 06, Order Denying Petition for Reconsideration, Docket No. UT-053039, Level 3 Communications, LLC, Petitioner, v. Qwest Corporation, Respondent (June 9, 2006) ("Order No. 6").

provision of the ISP Remand Order is referred to the "New Markets exclusion", which the FCC eliminated in the Core Forbearance Order. This change, however, does not affect this Commission's decision in the Level 3/CenturyTel arbitration that the FCC's intercarrier compensation requirements applied to all ISP-bound traffic.

11. In summary, the Commission must reject Qwest's notion that competing carriers must provide service via network arrangements that mimic Qwest's network architecture. The Commission must also reject Qwest's arguments that it somehow incurs costs when Level 3 and other competitors provision FX-like services on their networks. Finally, the Commission must reject Qwest's arguments that Level 3's FX-like service violates state law because the service is offered over Level 3's IP-based network and not Qwest's circuit switched network.

III. SPECIFIC RESPONSES TO COMPLAINT

1. Introduction

12. RCW 80.04.110 and WAC 480-07-305, cited in paragraph 1 are legal references and require no response. Level 3 admits that it is listed as a respondent in paragraph 1. Upon information and belief, Level 3 admits the remaining statements in paragraph 1.

13. Level 3 admits the statements in paragraph 2.

14. Level 3 admits that it is listed as a respondent in Appendix A, referenced in paragraph 3. Upon information and belief, Level 3 admits the remaining statements in paragraph 3.

2. Parties

15. Level 3 admits the statements in paragraphs 4 and 5. Upon information and belief, Level 3 admits the statements in paragraphs 6, 7, and 8.

3. Jurisdiction

16. Level 3 admits that the Commission has jurisdiction over the Complaint and respondents pursuant to RCW 80.01.040, and RCW 80.04.110. Level 3 denies the rest of the allegation in paragraph 9.

4. Summary of Complaint

17. The final Commission orders in Docket Nos. UT-053036 and UT-053039 speak for themselves and require no response. To the extent Qwest cites Commission orders in paragraph 10, and to the extent those references are true and correct, they require no further response. Level 3 denies any further allegations that may be construed from Qwest's interpretation of those orders.

18. The Commission's order in UT-053039 speaks for itself and requires no response.

19. Level 3 denies all the allegations in paragraph 12. VNXX arrangements are not unlawful, contrary to the public interest, or against the public policy of the State of Washington. To the contrary, Level 3's use of numbers is in conformance with state law, in compliance with prior Commission decisions and federal numbering rules. Level 3 provides service in the State of Washington pursuant to Commission-approved interconnection agreements. Qwest's allegations are in blatant disregard of those Commission orders that Qwest could have appealed but didn't. Qwest's allegations are a collateral attack on those Commission orders and must be denied.

5. Facts

20. Level 3 denies the allegations in paragraphs 13 through 20. Qwest's "facts" are based entirely on its historical network architecture and ignores the fact that there are carriers in the marketplace using different and more sophisticated networks. In Qwest's opinion, every

carrier in the Washington marketplace must provide service using networks identical to that build by Qwest, and if a different network design is used, it must be in violation of state law.

21. Qwest is wrong to characterize the issue as one where the Commission must choose between characterizing ISP-bound traffic as local or long-distance. The issue before the Commission is more accurately described as how ISP-bound, FX and FX-type traffic been traditionally treated. The Internet flourished, to the benefit of Qwest and others, in large part because end user calls to ISPs have always been treated as local calls. FX traffic is not found in Qwest's interexchange tariff; likewise, nor is Level 3's FX-like service offering found in an interexchange tariff. Instead, the FX-like service offered by Level 3 and other competitors, much like Qwest's FX service, is offered as a type of local service.

22. Qwest gives a long explanation of how interexchange and local traffic are exchanged. Qwest, however, misconstrues how NPA/NXXs are utilized. The NPA/NXX determines how a call is rated and routed, and just because a call originates and terminates in different calling areas does not automatically make it subject to Qwest access charges. FX-like services provided by Level 3, using VNXX arrangements, are provided much like Qwest provides its FX service. Level 3 uses NPA/NXXs to provide an FX-like service to some of its ISP and ESP customers. While Level 3's FX-like calls may originate and terminate in different calling areas, as do Qwest's FX calls, Level 3 and not Qwest is providing the FX functionality. For example, if Level 3 provides a Seattle VNXX number to a Level 3 customer in Olympia, Level 3 is responsible for carrying the traffic from its POI with Qwest, in Seattle, to the customer in Olympia.

23. Qwest also misconstrues Level 3's FX-like traffic as being akin to Qwest's 800 service. Qwest also assumes that Level 3's FX-like traffic must be interexchange traffic since

Level 3 does not purchase dedicated access transport from Qwest to route these calls. Again, Qwest is wrong.

24. The service Level 3 provides its ISP and ESP customers is not an 800 service. An 800 number may be reached by anyone dialing from anywhere in the United States. That is simply not the case with the Level 3 service. When Level 3 provides an Spokane ISP customer with FX-like calling capability to his ISP's equipment in Seattle, only end users in Spokane may reach the Level 3 ISP customer via that NPA/NXX/XXXX obtained by Level 3. Others trying to reach that ISP customer by dialing the Spokane NPA/NXX outside of the Spokane local calling area will be subject to Qwest originating and/or terminating charges, based on the dialing pattern used by the call originator.

25. Qwest's arguments regarding the lack of use of dedicated transport are disingenuous. Once Qwest carries an originating call to the POI with Level 3, it is Level 3 that provides any necessary transport to get the call to the Level 3 customer. It should be immaterial to Qwest how Level 3 transports the call or the type of facilities requested by the Level 3 customer. The Commission must not allow Qwest to dictate the type of architecture used by Level 3 to provide services to its customers.

26. Qwest also alleges that Level 3's use of NXX numbers results in calls being routed through Qwest's inter-exchange facilities. Again Qwest misconstrues the facts. At no time are Qwest inter-exchange facilities used by Qwest to transport locally dialed calls to the Level 3 POI in Seattle. Qwest gets the call to the POI, and Level 3 delivers the call over its own facilities to its customer, whether the customer equipment is in Seattle, Olympia, Spokane or elsewhere.

27. Qwest also concludes that it cannot duplicate the FX-like service offered by Level

3 and other respondents. Qwest again misconstrues the facts. Qwest's responsibility pursuant to Commission orders and federal law require Qwest to get Qwest originated calls destined to Level 3 end users to the POI. At no time does Level 3 use Qwest's network for free or otherwise. Level 3 incurs the costs of getting calls to its customers and at no time does Level 3 use Qwest's transport to provide that function. Qwest makes up "facts" which are not true – that Level 3 and other CLECs somehow use Qwest transport to get calls to far away places. As has been repeatedly stated, this is not true and must be rejected by the Commission. If anything, the arguments raised by Qwest are identical to those raised in the last arbitration between Qwest and Level 3, in which Qwest argued that it was entitled to payment for costs that it did not incur in getting Qwest originated traffic to the POI with Level 3. The Commission rejected Qwest's arguments then and must do so again; nothing has changed with respect to network architecture – Qwest does not incur any additional costs when delivering an FX-like call to the Level 3 POI, and there is no free ride or use of transport without payment; once a call is exchanged at the POI, each party is responsible for transport costs on its side of the POI.

28. Qwest also argues that, if Level 3 is providing an FX-like service, it must jointly provide it with Qwest. Qwest has the mistaken impression that competing carriers have to replicate its service offerings using the same exact network design, and if they cannot replicate the network design, the only alternative is to jointly provide the service with Qwest. This is simply not the case. As a co-carrier, Level 3 has no obligation to purchase Qwest retail offerings, but rather has the authority to require Qwest to interconnect pursuant to Sections 251 and 252 of the Act. Level 3 is not a Qwest end user customer relegated to purchasing Qwest retail offerings nor does it wish to be. As has already been pointed out repeatedly, Qwest does not provide the FX function when Level 3 provides a VNXX arrangement to a Level 3 customer

– Level 3 provides the number and the transport; Qwest originates the call and takes it to the mutually agreed upon POI for traffic from that end office, like it does any other locally dialed call destined for a Level 3 customer.

29. Finally, Qwest alleges that the use of VNXX has widespread and significant implications for the entire access compensation system established in Washington and elsewhere, complaining that such service has severe financial consequences on Qwest's originating and transporting charges. Any financial consequences that Qwest may experience are the result of competition in the Washington marketplace. The exchange of ISP-bound traffic over VNXX architectures have been around since the passage of the Telecommunications Act of 1996. Qwest also ignores that it responded to the competitive forces in the marketplace by aggressively marketing and capitalizing on the demand for second lines for ISP calling. Further, while its interexchange related revenues may be decreasing, Qwest is seeing an increase in its second line and broadband service offerings. Qwest also has its own ISP affiliate, which benefits if they prevail with this Complaint. If Qwest can manage to subject competitive traffic to ISPs to access charges, the only provider of ISP network services likely to remain in Washington will be Qwest. While Qwest would reap untold benefits if they were to accomplish their desired outcome, Washington consumers would suffer.

6. Causes of Action

A. Violation of Qwest's Tariffs

30. Level 3 denies the allegations set out in paragraphs 21 and 22. Qwest again couches its arguments on the assumption that services can only be provided using network technology identical to that used by Qwest and assumes that Level 3 and the remaining respondents must be doing something wrong if they are not replicating Qwest services. Level 3

does not purchase services off of Qwest's retail tariffs to offer its services. As previously explained, Level 3 does not offer an 800 service. Likewise, Level 3 can and does provide service to its customers without having to purchase Qwest's FX product offerings. Qwest would like nothing more than to force Level 3 and other competitors into retail relationships; Qwest's arguments ignore that Level 3 is a competitor of Qwest and where possible will provide services without any assistance from Qwest. Level 3 is not using Qwest's interexchange network and is not providing an interexchange service. The Commission must reject Qwest's limited world view that the ILEC way is the only way and deny Qwest's cause of action. Finally, Level 3 denies that it is somehow violating Qwest tariffs, state laws or Commission rules in providing its services.

B. Violation of Prescribed Exchange Areas

31. Level 3 denies the allegations set out in paragraphs 23 through 25. Level 3 admits that the Commission has approved exchange area boundaries as alleged by Qwest. Qwest, however, ignores the fact that the Commission has also approved Qwest's FX tariff, which in effect is an exception to the exchange area boundaries approved by the Commission. Qwest also ignores that Level 3 and Qwest arbitrated these very same issues before this Commission and that Level 3 has been providing its services pursuant to the resulting Commission-approved interconnection agreement. Level 3 denies that it has ever violated prescribed exchange areas.

C. Violation of RCW 80.36.080 Rates, services, and facilities

32. Level 3 denies the allegations set out in paragraphs 26 through 28. RCW 80.36.080 is a Washington statute, speaks for itself and requires no response. Level 3, however, denies the assumptions made by Qwest regarding the statute. Level 3 denies that it does not charge its customers for services rendered, including any numbering and routing provided.

Level 3 does not consider offering free service to be a viable business model and it is safe to assume that its shareholders would frown at such practices. In addition, any regulated services provided by Level 3 in the State of Washington are provided at competitive rates that are fair, just, and reasonable.

D. Violation of State Law, RCW 80.36.140 Rates and services fixed by commission, when.

33. Level 3 denies the allegations set out in paragraphs 29 through 31. RCW
80.36.140 is a statutory reference and requires no response. Level 3 denies the assumptions
made by Qwest regarding the statute. Level 3 denies that Level 3's use of numbers to provide
FX-like services is somehow unjust and unreasonable. Level 3 also denies that its provision of
FX-like services causes Qwest to incur costs that should be borne by Level 3.

E. Violation of RCW 80.36.160, Physical connections may be ordered, routing prescribed, and joint rates established

34. Level 3 denies the allegations set out in paragraphs 32 through 34. RCW 80.36.160 is a statutory reference and requires no response. Level 3 denies the assumptions made by Qwest regarding the statute. Level 3 denies that it engages in unreasonable practices. Level 3 also denies that it is offering is a toll service requiring the use of Qwest's toll networks. At no point does a locally dialed call originated by a Qwest end user customer destined for a Level 3 customer make use of Qwest's toll networks. The call is carried via Qwest's local facilities to the Level 3 POI in Seattle, at which point Level 3 is responsible for transport and termination of the call, using Level 3 and not Qwest facilities. Qwest is in essence seeking payment for services that it has not rendered.

F. Violation of RCW 80.36.170 Unreasonable Disadvantage Prohibited

35. Level 3 denies the allegations set out in paragraphs 35 through 37. RCW 80.36.170 is a statutory reference and requires no response. Level 3 denies the assumptions made by Qwest regarding the statute. Level 3 denies that its provision of FX-like service subjects Qwest to any undue prejudice, disadvantage, or undue preference under RCW 80.36.170.

G. VNXX is Contrary to the Public Interest in the State of Washington

36. Level 3 denies the allegations set out in paragraphs 38 through 40. Level 3 denies that its' service is underwritten or subsidized by Qwest. Level 3 pays for Qwest services and at no time does it use Qwest facilities free of charge.

37. Level 3 also denies the allegations that its service offering is merely a subterfuge to avoid paying access charges. Level 3's FX-like service is not contrary to the public interest and is nothing similar to EAS bridging.

IV. RELIEF REQUESTED

38. Level 3 denies that Qwest is entitled to any of the relief requested in its complaint. Specifically, Level 3 denies that VNXX violates state law, denies that VNXX violates Qwest's tariff, and denies that VNXX is contrary to the public interest. Level 3 also denies that VNXX traffic should be made subject to Qwest's access tariff, denies that use of VNXX constitutes a misuse of numbering resources, and denies that NPA/NXX's may only be assigned in local calling areas where a customer is physically located.

V. AFFIRMATIVE DEFENSES

39. The Complaint fails to state a claim upon which relief may be granted.

40. At all times relevant hereto, Level 3 acted in conformance with state and federal law, including the rules and regulations of this Commission.

41. Qwest's positions violate the Commission's recent ruling in the Level 3 Core Complaint, in which the Commission found that, for purposes of compensation, the FCC's ISP Remand Order applies to all ISP-bound traffic regardless of the point of origination and termination of such traffic.4 Qwest complaint also attempts to re-litigate issues decided in Level 3's favor in Docket No., where the Commission considered these very same arguments in the context of Qwest attempt to force Level 3 to pay for the facilities that carry Qwest originated traffic.5 Finally, Qwest's positions are in effect an attempt to re-litigate an issue again decided in Level 3's favor in the Level 3/CenturyTel arbitration, where the Commission initially ruled that the FCC's ISP Remand Order applies to all ISP-bound traffic regardless of the physical location of the calling and called party.6

42. For the above reasons, Level 3 requests an order dismissing the complaint with prejudice, denying relief requested by Qwest and granting all other relief the Commission deems appropriate under the circumstances.

⁴ See Order No.6.

⁵ In the Matter of the Petition for Arbitration of an Interconnection Agreement Between Level 3 Communications, LLC and Qwest Corporation, Pursuant to 47 U.S.C. Section 252, Docket No. UT-023042, Forth Supplemental Order Commission's Final Decision (February 5, 2003).

⁶ Level 3/CenturyTel Arbitration Order.

RESPECTFULLY SUBMITTED this 23rd day of June, 2006.

LEVEL 3 COMMUNICATIONS, LLC

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CERTIFICATE OF SERVICE

I hereby certify that the original and twelve (12) copies of the foregoing *LEVEL 3'S ANSWER TO COMPLAINT OF QWEST FOR AN ORDER PROHIBITING VNXX in Docket No. UT-063038*, was sent via Federal Express on this 23rd day of June, 2006, for filing with the WUTC on Monday, June 26, 2006, and addressed to the following:

Ms. Carole J. Washburn Washington Utilities & Transportation Commission 1300 S. Evergreen Park Drive SW P.O. Box 47250 Olympia, WA 98504-7250

And a copy was delivered via U.S. Mail, postage prepaid, on this 23rd day of June, 2006, on the following:

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