

1 BEFORE THE WASHINGTON UTILITIES AND
2 TRANSPORTATION COMMISSION

3 In the Matter of the)
4 Petition of) DOCKET NO. UT-030614
5))
6 QWEST CORPORATION) Volume III
7)) Pages 96 to 336
8 For Competitive Classification)
9 of Basic Business Exchange)
10 Telecommunications Services.)
11 _____)

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9 PORTIONS DESIGNATED CONFIDENTIAL

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12 A hearing in the above matter was held on
13 September 16, 2003, from 9:30 a.m to 5:30 p.m., at 1300
14 South Evergreen Park Drive Southwest, Room 206, Olympia,
15 Washington, before Administrative Law Judge THEODORA
16 MACE and Chairwoman MARILYN SHOWALTER and Commissioner
17 PATRICK J. OSHIE.

18
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0098

1 -----

2 INDEX OF EXAMINATION

3 -----

4 WITNESS: PAGE:

5

6 MARK S. REYNOLDS

7 Direct Examination by Ms. Anderl 107

8 Cross-Examination by Ms. Singer Nelson 109

9 Examination by Chairwoman Showalter 123

10 Cross-Examination by Ms. Singer Nelson 124

11 Cross-Examination by Ms. Friesen 153

12 Cross-Examination by Mr. Levin 170

13 Examination by Judge Mace 192

14 Examination by Chairwoman Showalter 194

15 Examination by Judge Mace 194

16 Cross-Examination by Mr. Levin 195

17 Cross-Examination by Mr. ffitch 227

18 Examination by Judge Mace 235

19 Cross-Examination by Mr. ffitch 237

20

21 CONFIDENTIAL SESSION 243

22 Cross-Examination by Mr. ffitch 243

23 CONFIDENTIAL SESSION CONCLUDED 252

24

25 Cross-Examination by Mr. ffitch 253

0099

1	Cross-Examination by Mr. Melnikoff	279
2	Cross-Examination by Mr. Butler	288
3	Examination by Chairwoman Showalter	292
4	Examination by Commissioner Oshie	304
5	Examination by Chairwoman Showalter	311
6	Examination by Judge Mace	312
7	Redirect Examination by Ms. Anderl	315
8	Recross-Examination by Ms. Singer Nelson	316
9	Recross-Examination by Ms. Friesen	320
10	Recross-Examination by Mr. Levin	322
11	Recross-Examination by Mr. ffitich	329
12	Recross-Examination by Mr. Butler	331

13

14

15

16

17

18

19

20

21

22

23

24

25

0100

1 -----
2 INDEX OF EXHIBITS
3 -----

4

5	EXHIBIT:	MARKED:	ADMITTED:
6	MARK S. REYNOLDS		
7	1T		109
8	2		109
9	3		109
10	4		109
11	5C		109
12	6C		109
13	7RT		109
14	8		109
15	9		153
16	10		153
17	11		153
18	12		153
19	13		292
20	14		292
21	15		227
22	17		227
23	18		227
24	19		274
25	20		228

0101

1	21	228
2	22	228
3	23	228
4	24C	274
5	25	274
6	26	274

7

8

9 Records Requisitions

10	1	134
11	2	138
12	3	239
13	4	258
14	5	262
15	6	320

16

17

18

19

20

21

22

23

24

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0102

1 P R O C E E D I N G S

2 JUDGE MACE: Let's be on the record in the
3 matter of the Petition of Qwest Corporation for
4 Competitive Classification of Basic Business Exchange
5 Telecommunications Services. This is Docket Number
6 UT-030614. This is September the 16th, 2003, the date
7 we have scheduled for the commencement of evidentiary
8 hearings in this docket.

9 We're convened at the offices of the
10 Washington Utilities and Transportation Commission in
11 Olympia, Washington. My name is Theodora Mace, I'm the
12 Administrative Law Judge who has been assigned to
13 preside at the hearing. The Commissioners are also
14 presiding at the hearing, and on the Bench with me are
15 Chairwoman Marilyn Showalter and Commissioner Patrick
16 Oshie.

17 I would like to have the oral appearances of
18 counsel now, and I will begin with Staff.

19 MR. THOMPSON: Jonathan Thompson and Lisa
20 Watson for Commission Staff.

21 MR. FFITCH: Good morning, Simon ffitch,
22 Assistant Attorney General for Public Counsel.

23 MR. MELNIKOFF: Good morning, Stephen
24 Melnikoff representing the consumer interests of the
25 Department of Defense and all Federal Executive

0103

1 Agencies.

2 MR. BUTLER: Arthur A. Butler appearing for
3 WeBTEC.

4 MS. SINGER NELSON: Good morning, Michel
5 Singer Nelson here on behalf of MCI.

6 MR. LEVIN: Good morning, Richard Levin on
7 behalf of Advanced Telcom, Inc. also known as ATG.

8 MS. FRIESEN: Good morning, Your Honor, Letty
9 Friesen on behalf of AT&T.

10 MS. JOHNSON: Good morning, Your Honor, Karen
11 Johnson on behalf of Integra Telecom of Washington.

12 MS. ANDERL: Lisa Anderl representing Qwest.

13 MR. SHERR: Good morning, Adam Sherr of
14 Qwest.

15 JUDGE MACE: Thank you.

16 We have a schedule today to begin with Qwest
17 witnesses Mr. Reynolds, Mr. Teitzel, and Mr. Shooshan if
18 we get to that point. We have a set order for
19 cross-examination that calls for cross-examination by
20 MCI, AT&T, Public Counsel. I have been advised there's
21 a slight change in the latter part of the order and that
22 ATG will precede the Department of Defense, and then
23 WeBTEC will be last.

24 I want to caution you that we have lengthy
25 cross-examination proposed by the parties. We have a

0104

1 short time for hearing. If there is any way that you
2 can reduce the amount of your cross-examination, that
3 would be very helpful to the Bench.

4 We will take a morning break and an afternoon
5 break, we'll recess for lunch, and I will let you know
6 what those times will be as we go on.

7 Is there anything before we begin
8 cross-examination?

9 MR. BUTLER: Yes, Your Honor, with respect to
10 Exhibit Number 63, we had sent in a corrected exhibit
11 list right after we sent the original one, and I failed
12 to catch this when we had the pre-hearing conference,
13 but Exhibit 63 is the same as Exhibit 78, so I think we
14 can scratch Exhibit 63.

15 JUDGE MACE: So you're not going to offer 63?

16 MR. BUTLER: No, it's the same exhibit as
17 Number 78.

18 JUDGE MACE: Okay, thank you.

19 Anything else?

20 Then let's --

21 MR. SHERR: Your Honor, this is Adam Sherr of
22 Qwest.

23 JUDGE MACE: Yes Mr. Sherr.

24 MR. SHERR: I just wanted to make sure
25 everyone is aware, Qwest distributed some updates to

0105

1 several cross-exhibits today, distributed to all the
2 parties and the Bench. There's a green sheet which
3 summarizes those, and attached to it were the updated
4 cross-exhibits. I don't know if you want me to go
5 through all of these, but I believe they have been
6 distributed.

7 JUDGE MACE: Not at this time. My
8 understanding is that they have been incorporated into
9 the Commissioners' books and into my book of exhibits,
10 and as long as the parties have copies of them, we'll
11 just proceed on the assumption that there's no new
12 exhibits, but they're revised exhibits. That's correct,
13 is it not?

14 MR. SHERR: That is correct.

15 JUDGE MACE: And I don't even need to go
16 through the --

17 MR. SHERR: Well, that is correct except for
18 the latter part of the exhibits identified on that green
19 sheet are ones that have been identified in advance of
20 the pre-hearing conference but that we did not have
21 copies of yet, and that's Exhibits 520, 521, 606, 607,
22 608, 609, so in a sense those are new documents.

23 JUDGE MACE: Let me just indicate that those
24 have been provided, we have copies of them, and my
25 thought would be to address these at the time that the

0106

1 witness responsible takes the stand rather than at this
2 point in time.

3 CHAIRWOMAN SHOWALTER: My only question is do
4 we have these exhibits in our books?

5 JUDGE MACE: We do.

6 CHAIRWOMAN SHOWALTER: Okay.

7 MR. SHERR: Thank you.

8 JUDGE MACE: Then let's begin with
9 cross-examination. The first cross-examiner of
10 Mr. Reynolds is MCI.

11 Are you ready to present Mr. Reynolds?

12 MS. ANDERL: Yes.

13 JUDGE MACE: Let me swear him in.

14 (Witness Mark S. Reynolds sworn in.)

15 JUDGE MACE: All right, please be seated.

16 MS. ANDERL: May I, Your Honor?

17 JUDGE MACE: Go ahead.

18 MS. ANDERL: Thank you.

19

20 Whereupon,

21 MARK S. REYNOLDS,

22 having been first duly sworn, was called as a witness
23 herein and was examined and testified as follows:

24

25

0107

1 D I R E C T E X A M I N A T I O N

2 BY MS. ANDERL:

3 Q. Good morning, Mr. Reynolds. Could you please
4 state your name and business address for the record.

5 A. Yes, my name is Mark Reynolds.

6 Q. Is your microphone on?

7 A. Yes, it is. I think it is.

8 Q. Button is up?

9 A. My name is Mark Reynolds, and my business
10 address is 1600 Seventh Avenue, Room 3206, Seattle,
11 Washington, zip code 98191.

12 Q. Mr. Reynolds, do you have before you your
13 direct and rebuttal testimony filed in this proceeding?

14 A. Yes, I do.

15 Q. And the exhibits attached thereto which have
16 been identified by the Judge as Exhibits 1T through 8?

17 A. Yes.

18 Q. Do you have any changes or corrections to
19 make to that testimony today?

20 A. Yes, I do.

21 Q. Can you please identify those changes or
22 corrections for us starting by identifying the testimony
23 and then the page and line.

24 A. Yes, in is it 1T or T1?

25 Q. 1T.

0108

1 A. 1T, my direct testimony, I have several
2 corrections. The first one is on page 12, and it's in
3 the footnote 12, and it affects the last sentence at the
4 end of the second to the last line where it says, upon a
5 state finding of impairment, it should actually say,
6 upon a state finding of no impairment, so please insert
7 the word no there.

8 And the next change will affect the same
9 percentage, and it's on multiple pages, so I will just
10 tell you that I'm going to correct a percentage that
11 says 36%, and I'm going to correct it to 33%, and the
12 first appearance of that is on page 13.

13 Q. Of which testimony?

14 A. Of 1T, this is all still in 1T.

15 Q. Okay.

16 A. In footnote 13, the third line down where it
17 says, actual increase in CLEC market share is slightly
18 higher or 36%, should say 33%.

19 I would also like to place a period at the
20 end of that line right after the date 12-13-02 and
21 delete, of 12 1/2% to 17%.

22 Q. You indicated that that percentage change
23 occurs elsewhere in your testimony?

24 A. Yes, in the same testimony, 1T, page 17, line
25 10, there's two occurrences of it that need to be

0109

1 changed, page 17 line 10, and then also in the first
2 line of footnote 19 on that same page, and I believe the
3 last appearance of it is on page 20, line 9.

4 Q. Do you have any other changes or corrections
5 to your testimony or exhibits?

6 A. No, I do not.

7 Q. And so with those changes, is your testimony
8 and are your exhibits true and correct to the best of
9 your knowledge?

10 A. Yes.

11 MS. ANDERL: Thank you, Your Honor. We would
12 offer Exhibits 1T through and including Exhibit 8 and
13 tender Mr. Reynolds for cross-examination.

14 JUDGE MACE: Is there any objection to the
15 admission of those exhibits?

16 Hearing no objection, I will admit them.

17 Ms. Singer-Nelson.

18 MS. SINGER NELSON: Thank you, Your Honor.

19

20 C R O S S - E X A M I N A T I O N

21 BY MS. SINGER NELSON:

22 Q. Good morning, Mr. Reynolds.

23 A. Good morning.

24 Q. First of all, I just wanted to ask why you
25 made the change from 36% to 33% in your testimony?

0110

1 A. I made that change because in calculating the
2 36%, I developed two market share numbers, one for 2001
3 and one for 2002, and I wanted to take a percentage
4 increase to determine what the percentage increase of
5 market share was. And the 36% is based on rounded
6 percentages for those two periods, and the 33%, which is
7 in my estimation a more accurate way to do it and it's
8 more conservative for the company, is based on the
9 actual raw percentages, so. And I felt it was more
10 accurate for my testimony to reflect the actual percent
11 increase rather than one that's based on rounded
12 numbers, so it was for accuracy.

13 Q. When did you decide to make that change?

14 A. I decided to make it probably yesterday. As
15 I was going through my testimony, I recalculated and
16 looked at the raw numbers and saw that they came out 33%
17 and just decided, you know, I can't leave 36% in there.
18 So it's just -- it's for accuracy.

19 Q. Why did you include 36% in the first place?

20 A. You know, as you well know, there's a lot of
21 numbers in this proceeding, and I probably did some
22 initial calculations, they came out, and I rounded them
23 at the time. And then I did a subsequent percentage
24 increase, came out 36%, so I included that in. It
25 wasn't until I went back and was thoroughly going

0111

1 through my testimony that I discovered that I thought
2 36% was too much, so.

3 Q. I will direct your attention to your direct
4 testimony, which is Exhibit 1T, and first of all
5 generally on page 5 of your testimony you just explain
6 that Qwest has not included digital switched business
7 services in its petition in this docket; is that right?

8 A. That is correct.

9 Q. So Qwest is only asking that its analog
10 services be deregulated?

11 A. Competitive classified, yes.

12 Q. All right.

13 A. At this time.

14 Q. Would you define analog as you use it?

15 A. I think it's defined by the services that we
16 provide or that we ask for competitive classification on
17 in this docket. It's the analog PBXs, the analog
18 Centrex services, and the analog business services as
19 that's defined, and that is that we deliver an analog
20 signal to the customer rather than a digital signal
21 that's integrated into the switch and also integrated
22 into the CPE at the customer location. So that would
23 probably be the differentiation between the types of
24 services that we would -- that we would call digital as
25 opposed to those that we would call analog.

0112

1 Q. Okay. But Qwest provides some of the same
2 services over both digital and analog facilities; isn't
3 that right?

4 A. If what you mean is that our -- some of our
5 digital exchange services have similar functionality to
6 our analog services, I would agree with that, if that's
7 what the question was.

8 Q. If a business customer wanted a particular
9 service from Qwest, would the business customer have the
10 choice of that service being provided over digital
11 facilities as well as being provided over analog
12 facilities?

13 A. My understanding is that customers can ask
14 that analog services be provisioned, for example, over a
15 DS1, but that would still require the analog service to
16 be converted to analog before it interfaced their CPE,
17 and they would have to pay the additional costs of
18 having it provided over a digital facility like DS1.

19 Q. Okay. Let's go to your exhibit that talks
20 about all the services or that names all the services
21 that you're seeking competitive classification for.
22 It's Exhibit MSR-2.

23 CHAIRWOMAN SHOWALTER: You need to help us.

24 MS. SINGER NELSON: It's Exhibit 2.

25 CHAIRWOMAN SHOWALTER: Oh, okay.

0113

1 MS. SINGER NELSON: Yeah, Mark's exhibits are
2 going to be easy for the most part, because they will be
3 matching up.

4 BY MS. SINGER NELSON:

5 Q. Are you there?

6 A. Yes, I am.

7 Q. So these are the analog services that Qwest
8 seeks competitive classification for; is that right?

9 A. That is correct.

10 Q. Now which of these services are also provided
11 by Qwest over digital facilities?

12 A. I don't have an inventory of all of the
13 services that currently might be provided to particular
14 customers for example over a DS1 circuit. I do know
15 that some of them are. For example, I have talked with
16 our product management and our sales people and found
17 out that we have some situations where customers might
18 have a DS1 that comes to their location that carries
19 some analog services as, you know, an efficient way to
20 serve their telecom needs. I don't think it happens
21 very often.

22 Any of these services if a customer requests,
23 the line services could be provisioned over a DS1
24 facility. And, in fact, in the network, the way the
25 network works, we have a lot of digital loop carrier

0114

1 system that provisions analog services out to a certain
2 point in the network, the signal is converted to analog,
3 and then it's provisioned to customers as an analog
4 service. So there's a lot of different ways to
5 distinguish, you know, what part of a service might be
6 digital and what might be analog.

7 I think I went through earlier though how we
8 distinguish between the digital services such as DSS and
9 UAS and primary rate ISDN as opposed to these analog
10 services that typically operate over analog customer
11 premises equipment.

12 Q. The services that you described that are
13 provided over digital services or over digital
14 facilities for your business customers, are they
15 included in your market share calculations in this case?

16 A. We included all of our analog services
17 whether they are served over like a stand alone copper
18 loop, whether they're served over digital loop carrier
19 system, or whether they're provisioned all the way to
20 the customer over a DS1. Any service that we have or
21 any inventory that we have for these services, and these
22 are our analog services, was included, yes.

23 Q. I direct your attention to the bottom
24 left-hand corner of this exhibit. I see that you have
25 excluded not only digital services but also hotel

0115

1 screening trunks?

2 A. Yes.

3 Q. Can you explain why?

4 A. My understanding is, and you will notice that
5 up above we have hotel message trunks, and those are the
6 analog PBX trunks that would serve a hotel PBX, so I
7 want to differentiate between a hotel screening trunk
8 and a hotel message trunk. My understanding is that a
9 hotel screening trunk is a toll trunk and thus is
10 something different than kind of the local exchange
11 trunks that we're petitioning for competitive
12 classification, and so that's why they're pulled out.

13 Q. Why did you exclude pay phone access lines?

14 A. Because they are really quite different I
15 think than the rest. They require special software in
16 the central office, and we just didn't decide or we just
17 decided that they were different enough that if we want
18 to petition for those, we will petition for those
19 independently.

20 Q. Is it true that a high percentage of the pay
21 phone market here in Washington belongs to Qwest?

22 A. I would accept that subject to check. I
23 don't have that knowledge sitting here today. It sounds
24 reasonable, but I don't know that for a fact.

25 Q. Is it true that Qwest argues in this case

0116

1 that digitally provided services from competitors should
2 be considered as part of the market on the theory that
3 they're substitutes for Qwest voice service?

4 A. No, that's not part of Qwest's case. We were
5 very careful to ensure that the retail services that we
6 list in our petition matched up against analog type
7 wholesale services, resale, UNE-P, and unbundled loop.
8 And I believe that in the additional analysis that Staff
9 conducted as well, they were quite careful to ensure
10 that services that CLECs were providing, that digital
11 services were netted out of their accounts as well. So
12 at least it was our intent to keep the two separate.

13 Q. And would you agree with me that if Qwest did
14 include its digital facilities in the market analysis,
15 the market would be larger than a market that does not
16 include those facilities?

17 A. Absolutely. If we brought Qwest digital
18 facilities in on a retail basis and we brought the
19 digital facilities that we sell to CLECs and you brought
20 in CLECs' owned facilities that we don't -- that we
21 don't have any control over that provide digital
22 services, yes, the market would be larger.

23 Q. Did you analyze Qwest's market share, or do
24 you know of an analysis by Qwest of the market share for
25 Qwest when digital services are included on both sides

0117

1 of the formula, that is both for competitors and for
2 Qwest?

3 A. Part of the reason we didn't include it is
4 that we were having some problems identifying our own
5 services and making sure that we get competitive
6 services and our own services on the same footing, and
7 let me explain a little. Some of our digital services
8 are provided on a DS0 voice grade equivalent basis, and
9 I think most of the people in this room are familiar
10 that if you move up to a DS1 level, a DS1 can carry 24
11 DS0s. And what our evidence showed from a comparison
12 perspective is that the CLECs were purchasing quite a
13 few DS1s, we had a number of counts of DS0 circuits on
14 our inventory, but we did not know how many of those
15 DS0s were being carried over DS1 facilities. And in our
16 analysis to try to synch that up, we decided to go ahead
17 with the filing without our digital services and net
18 those out, because we were having some problems synching
19 that up. I think we fully intend to come in after this
20 filing for digital services, because I think we have a
21 pretty strong case, so.

22 Q. If you had a hard time synching it up, then
23 how did you reconcile that difficulty?

24 A. I'm sorry?

25 Q. If you had a hard time synching up --

0118

1 A. Well, one thing we did and why I feel strong
2 about our case is we took all of our DS0 equivalent
3 circuits and divided by 24, and we compared our numbers
4 on a DS1 equivalent basis to the CLEC numbers on a DS1
5 equivalent basis and found out that it was a pretty good
6 story. Now but in order to fully tell that story and
7 tell it accurately, we have to look at the actual
8 customer location data and find out how those digital
9 services are being provisioned to each and every
10 customer so that we can match apples and apples up. I
11 mean to me that's an important part of the story, and so
12 that's why we pulled it out, we tried to make it
13 cleaner. I think it's been difficult because, you know,
14 digital services are out there, and I think that they
15 definitely fit in the same, you know, in the same area
16 as these services, although you can distinguish between
17 them as we have done.

18 Q. Would you agree with me that it's difficult
19 for Qwest to determine whether a CLEC is using the
20 services to provide an analog service or to provide a
21 digital service?

22 A. Not -- no, I guess I wouldn't agree with
23 that. From a provisioning perspective of wholesale
24 services, we know on a resale basis if they purchase an
25 analog line, they're reselling an analog line. We know

0119

1 from a UNE-P basis that if they're purchasing an analog
2 or digital UNE-P, that's what they're provisioning. On
3 an unbundled loop basis, we also know that our unbundled
4 loop counts in this docket, the vast majority, and I
5 want to say in the 90 percentile, are all two wire
6 loaded loops. At least that's the classification. It
7 doesn't mean that they're all loaded, but they are not
8 non-loaded, and I think that the CLECs would have a very
9 difficult time provisioning digital services over
10 non-loaded facilities. So we are very sure of our
11 counts on both the wholesale side and the retail side
12 that we have got pretty good match and we've got pretty
13 clean data as far as analog services.

14 Q. So you didn't, in your UNE-P analysis for the
15 CLEC market share, you excluded all UNE-P services
16 provided over digital facilities?

17 A. That's -- we excluded all UNE-P digital
18 services. For example, UNE-P ISDN, UNE-P, you know, all
19 of the digital retail services and their UNE-P
20 counterparts, we excluded those, yes, we did. We only
21 included UNE-P POTS and UNE-P Centrex services that were
22 analog services, so.

23 Q. Just for a little help in distinguishing
24 between those different types of services, can we look
25 at Exhibit A to Qwest's SGAT, which is Exhibit --

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1 JUDGE MACE: Do you have an exhibit reference
2 for that?

3 MS. SINGER NELSON: Yes, I do, Judge.

4 BY MS. SINGER NELSON:

5 Q. It's Exhibit 12, and, Mr. Reynolds, can you
6 point out in your Exhibit A which services, wholesale
7 services, you included in your calculation of market
8 share for CLECs, and please let us know what page you're
9 on in the exhibit, it's pretty lengthy.

10 A. I would turn to page 19 of the exhibit, and
11 you won't see the recurring rate elements for UNE-P
12 because by definition it's the sum of the underlying
13 UNE-P elements, but you will see the nonrecurring
14 categories, and I would direct your attention to
15 9.23.2.1, UNE-P POTS, Centrex, analog PBXs, that --

16 Q. Excuse me.

17 A. Yes.

18 Q. Did you mean 9.23.2? Because UNE-P line
19 splitting is 9.23.1.

20 A. I'm sorry, I said 9.23.2.1.

21 Q. Oh, okay, thanks, I missed that.

22 A. It's the first category under 23.2 there.

23 Q. Thank you.

24 A. And all of our UNE-P counts come from that
25 category. But you will notice as you move down that

0121

1 there is UNE-P ISDN BRI, there's UNE-P ISDN PRI, DSS,
2 per DS1 facility, those are all digital. Turning the
3 page, there's more digital services. And so the only
4 counts we used were UNE-P POTS, Centrex, and analog.
5 And to my knowledge, those are provided over loaded
6 facilities and would be analog type services.

7 Q. What about 9.23.3, are those the same
8 services, it's just including different rates for if
9 it's a new connection versus an existing line?

10 A. That appears to be, yeah, that appears to be
11 the difference.

12 Q. Okay. So those are included as well in your
13 market share analysis I presume?

14 A. Yes, because actually in Exhibit A those are
15 just two different differentiations of how you might
16 order the services, yes.

17 Q. Okay.

18 CHAIRWOMAN SHOWALTER: Just before you ask
19 your next question, Mr. Reynolds, did your answer relate
20 to 9.23.3 or 9.23.3.1?

21 THE WITNESS: I think Ms. Singer Nelson's
22 question tried to confirm that 9.23.2.1 and 9.23.3.1
23 were two different ways to order the same facility, and
24 she asked if we included those, and the answer is yes,
25 those are what we included.

0122

1 BY MS. SINGER NELSON:

2 Q. Did you include the services that are
3 purchased under 9.23.4.7?

4 A. To my knowledge, we did not. Let me look at
5 this for a second. My recollection is we did not have
6 any UNE-P PBX services. Now that doesn't mean that
7 CLECs may not be using a UNE-P POTS line for PBX. You
8 know, I think that that could happen. And to the extent
9 that they are and they required a group of DID numbers,
10 they may well order that. I don't recall the DID group
11 in our inventory, but it could be there, I might have
12 missed it. There's a lot of numbers in the features
13 category, and that might be where that comes in. But
14 it's not out, let me put it this way, it's not outside
15 the realm of possibility that a CLEC may order 9.23.4.7,
16 but I don't recall seeing that.

17 Q. So is it an exclusive or -- is it an
18 exclusive list of services then; are you saying that the
19 services provided by Qwest to CLECs that were considered
20 in the market share analysis for this case were only
21 provisioned pursuant to 9.23.2.1, 9.23.2.2, 9.23.3.1,
22 and 9.23.3.2?

23 A. Yes, that is my understanding. We actually
24 track -- we track the product type of UNE-P. Even
25 though you will see 9.23.2.1 and you see a list of

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1 services there, UNE-P POTS, Centrex, analog, PBX trunks,
2 we track independently if we can which service the CLEC
3 orders, whether it's a UNE-P POTS or a UNE-P Centrex, we
4 track those. And the only two categories that we have
5 for CLECs for this service, this analog service, is
6 UNE-P POTS and UNE-P Centrex, so.

7 JUDGE MACE: Mr. Reynolds, I'm going to ask
8 you to slow down just a little bit.

9 THE WITNESS: Okay.

10 JUDGE MACE: I think there's a lot of
11 acronyms there, and the reporter might appreciate it if
12 you would speak just a little more slowly, particularly
13 when you're reading some of the titles off.

14 THE WITNESS: I will.

15 CHAIRWOMAN SHOWALTER: And I don't want to
16 wait to ask my questions because I don't want to get
17 lost right now.

18 MS. SINGER NELSON: That's fine.

19

20 E X A M I N A T I O N

21 BY CHAIRWOMAN SHOWALTER:

22 Q. And I'm now unclear whether you are saying
23 that the services that you're comparing come only from
24 9.23.2.1 and 9.23.3.1, just those two categories, or do
25 we go into the .2 on both categories as well?

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1 A. I think the reason that Ms. Singer Nelson
2 added the additional categories, if you take a look, and
3 it's in pretty small print, the first category, for
4 example, in 9.23.2.1 is mechanized, and that means that
5 the CLEC would order that on a mechanized basis through
6 our ordering systems. The second one is a manual. It's
7 the same products, it's just a different way that they
8 could order those products, and so I think -- I think
9 that's why Ms. Singer Nelson included those in as well.

10 THE WITNESS: Am I correct?

11 MS. SINGER NELSON: Yes.

12 BY CHAIRWOMAN SHOWALTER:

13 Q. In her question, but then does that mean that
14 your answer is that you are making comparisons of CLEC
15 share that were ordered under four categories, 9.23.2.1,
16 and 9.23.2.2?

17 A. That's correct.

18 Q. And then also 9.23.3.1 and 9.23.3.2?

19 A. That's correct.

20 CHAIRWOMAN SHOWALTER: Thank you.

21

22 C R O S S - E X A M I N A T I O N

23 BY MS. SINGER NELSON:

24 Q. Let's move on to your discussion in your
25 testimony about resale services. Would you agree with

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1 me that when Qwest is providing services or when a CLEC
2 is providing services to an end user via Qwest's resale,
3 the CLECs are completely dependent on Qwest for
4 provisioning, for maintenance and repair?

5 A. I think by the nature of resale, yeah, I
6 would agree with that, that it is a resold service that
7 Qwest does maintain. The CLEC does have some control
8 over, for example, who the customer picks for their long
9 distance carrier, some things like that, but generally
10 it is a resold service of Qwest, and so they must resell
11 the line and the feature services from Qwest.

12 Q. And Qwest's network physically provides the
13 service to the customer; isn't that right?

14 A. That is correct.

15 Q. CLECs really can only differentiate their
16 services through pricing for resale, isn't that right,
17 differentiate their services from Qwest services through
18 pricing?

19 A. I think they can differentiate it through
20 pricing, but as I said, they can also differentiate it
21 through some of the vertical service offerings that a
22 CLEC can partner with an interexchange carrier and offer
23 sort of business packages or consumer packages that
24 might include certain types of toll packages included in
25 it. So, you know, that's a way they can differentiate

0126

1 the product. They can also add other types of value
2 added services such as a wireless play, you know. The
3 packages today go beyond the basic access line, so I
4 think there's ways that CLECs can sort of differentiate
5 even using resale as the basis.

6 Q. And that's with additional services, but I'm
7 asking about the local service itself. You have talked
8 about long distance services and that kind of thing, but
9 my question is directed to the local service. So would
10 you agree with me that really the only way that CLECs
11 can differentiate their service from Qwest, their local
12 service from Qwest service when providing services
13 through resale is through pricing?

14 A. I would agree with that, but to the extent
15 that there are a variety of feature options that CLECs
16 and Qwest both tend to package together for customers, I
17 think the CLECs have that ability to do that. Now I
18 would give you that it would be limited to the features
19 that Qwest offers on that line, but as I suggested,
20 there are other ways that CLECs can enrich a feature or
21 an overall business package.

22 Q. And in your testimony, you mentioned this
23 Commission's 14.74% discount on recurring rates for
24 resold services?

25 A. Yes, I'm aware of that.

0127

1 Q. Okay. And in that 14.74%, CLECs must fund
2 many different aspects of their provisioning; isn't that
3 right, like their billing, their collection, marketing,
4 sales?

5 A. I believe that there are certain functions
6 that -- in fact, that's how the 14.74% is calculated in
7 the first place is that, you know, the Commission took a
8 look at Qwest's own costs for those marketing, billing,
9 and other types of operations to determine what it cost
10 Qwest and gave that discount to the CLECs.

11 Q. And additional things that the CLECs would
12 have to fund with that 14.74% include operational
13 support systems, employee salaries and benefits,
14 computer office equipment?

15 A. I assume that some of that is true. I don't
16 have any firsthand knowledge of that. I would think
17 that a lot of the operational support for the services
18 because Qwest does provide the services comes from
19 Qwest. I would certainly give you that there probably
20 is some back office type operations, bookkeeping that
21 needs to be done, but certainly not to the complex
22 extent that Qwest has to monitor its network. The CLECs
23 don't have to do any of that, that's all done for them.

24 Q. And I'm not asking you what Qwest has. I'm
25 really focusing on the different aspects of the business

0128

1 that have to be funded by the 14.74% discount.

2 A. I think that there are some. I don't, I'm
3 not an expert in the CLECs' operations, so --

4 Q. Would you agree --

5 A. -- I would be speculating.

6 Q. Oh, I'm sorry.

7 A. I'm sorry, go ahead.

8 Q. Would you also agree with me that CLECs must
9 earn a reasonable profit, otherwise they can't really
10 make a living providing resold services?

11 A. I would say that a reasonable return on your
12 investment is a good prudent part of a business plan.

13 Q. And in addition, CLECs would need to price
14 below Qwest's retail rate in order to attract customers
15 away from Qwest; isn't that reasonable?

16 A. Not necessarily. You know, as I said, I
17 think that there are ways that the CLEC can market their
18 product. I think that there's enough add-ons that the
19 CLEC can do, coupling with a toll package and also other
20 services that they may well be able to price similar to
21 Qwest and essentially through the value added of the
22 other services still market their product.

23 Q. Will you please go to Exhibit 6C. Let me
24 know when you're there.

25 A. Yes, I'm there.

0129

1 Q. On the bottom half of this exhibit, it looks
2 like you have listed the average exchange service rates
3 that Qwest charges for those services; is that right?

4 A. Yes.

5 Q. The -- oh, pardon me, I'm not going to talk
6 about numbers.

7 MS. ANDERL: I don't believe that the average
8 exchange service rates column is confidential. It's the
9 revenues numbers that we consider to be confidential.

10 MS. SINGER NELSON: Thank you.

11 BY MS. SINGER NELSON:

12 Q. So looking at the first, 1FB flat, the rate
13 is listed at \$26.70. And at the 14.74 discount that the
14 CLECs would get, that would give CLECs about, under my
15 math, \$3.93 to fund the other aspects of the business?

16 A. That's what the discount would be worth. I
17 don't know that I would agree with the second part of
18 that. As I suggested, there are different ways a CLEC
19 can package their services, and they can obtain margin
20 off of other services to fund their operation, so I
21 don't know that I would necessarily agree that they're
22 totally relying on just selling that line.

23 Q. A similar calculation for the Centrex
24 products would give CLECs \$2.75 difference; is that
25 right?

0130

1 A. Yes, I would agree with that as being the
2 discount, yes.

3 Q. And then finally for PBX trunks, a \$26.81
4 charged by Qwest, the CLECs would get \$3.95 in that
5 discount?

6 A. Yes.

7 Q. And in your testimony, you have noted that
8 resale has gone down by 41% in the year 12-01 to
9 December of 2002; is that correct?

10 A. I believe the answer is year over year from
11 12-31-01 to 12-31-02 our volumes for the business
12 services at issue in this proceeding went down. I
13 believe that's correct, I believe it's in an exhibit,
14 but 41% sounds right.

15 Q. Right, I think I have it marked on pages 13
16 and 14 of your testimony.

17 A. That's correct. It's also, just for
18 reference, it's also in MSR-5C.

19 Q. Let's go to pages 14 and 15 of your direct
20 testimony.

21 A. I'm sorry, did you want me to comment on the
22 41% reduction?

23 Q. No.

24 A. I mean there's a reason for it, but.

25 Q. No, I didn't, thank you.

0131

1 Okay, pages 14 and 15, all right, I'm going
2 to focus primarily on page 15 where you've got the
3 listings on the top of the page. It looks like you have
4 just listed the NRCs here; is that right? You haven't
5 listed the UNE-P rate elements?

6 JUDGE MACE: When you're saying NRCs, you
7 mean nonrecurring costs?

8 MS. SINGER NELSON: Yes, I am, thank you.

9 JUDGE MACE: Is it nonrecurring cost or
10 nonrecurring charge?

11 MS. SINGER NELSON: Nonrecurring charge, I
12 think it really stands for both.

13 THE WITNESS: I think if you're in a cost
14 docket, it's nonrecurring cost. If you're looking at
15 rates, it would be a nonrecurring charge.

16 CHAIRWOMAN SHOWALTER: You just make me feel
17 better when I'm not the only one who can't remember
18 these acronyms.

19 MS. SINGER NELSON: No, that's a good
20 question, never thought of it.

21 BY MS. SINGER NELSON:

22 Q. So I'm looking at, for instance under Qwest
23 retail business, customer converts to CLEC resold
24 service on the top of page 15.

25 A. That's correct.

0132

1 Q. And you have listed, it looks like you have
2 listed the nonrecurring rates there, but you have not
3 listed the recurring rate.

4 A. Yes, that's correct, and the reason that it's
5 only nonrecurring is this has to do with ease of entry
6 and what it would cost the CLECs to enter.

7 Q. And you have not, you have also not listed
8 any sunk costs of the CLEC, which are those costs that I
9 was talking about before which include computer
10 equipment, building facilities, all that kind of,
11 furniture, that kind of thing?

12 A. No, those would not be included in Qwest
13 charges, those would be costs that a CLEC would incur in
14 provisioning their own services.

15 Q. And then -- and you would agree with me,
16 wouldn't you, that in order to provide -- well, strike
17 that.

18 The first thing I wanted to point out was
19 that these rates are relatively recently adopted by the
20 Commission, weren't they just adopted this summer?

21 A. I believe footnote 16 says that the advice
22 associated with -- the advice associated with the
23 resold, we call it the customer transfer charge, it
24 would be the first set of rates listed at the top of my
25 testimony, lines 2 through 6, was filed on April 13th,

0133

1 2003, so those are relatively new. But I would suggest,
2 and I don't know whether you were going to try to
3 distinguish them from other rates, that they are not
4 that different from the previous rates. There are
5 slight changes in them.

6 Q. Did they go up or did they go down?

7 A. You know, I don't know the answer to that,
8 but I do recall taking a look. In fact, if you take a
9 look at -- well, I don't know, I just don't know the
10 answer to that.

11 Q. And what about the rates in the third
12 category, basic installation without testing
13 nonrecurring.

14 A. Yes.

15 Q. First loop and additional loops.

16 A. Mm-hm.

17 Q. Were those rates adopted this summer?

18 A. That I don't know. I would accept that
19 subject to check, but I don't know when they were
20 adopted.

21 Q. Would any of your witnesses be able to
22 respond to that question?

23 A. Let me take a look at one thing. I think I
24 would be the witness, and so if I can't answer it, we
25 would have to provide it maybe in a record requisition

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1 if you would like that.

2 You know, I don't -- I was going to look in
3 the Exhibit A to the SGAT to see if there was any detail
4 about when the rates were last adopted, but there's
5 nothing in there, so I would, you know, we could
6 certainly find that out for you.

7 MS. SINGER NELSON: Would that be okay,
8 Judge?

9 JUDGE MACE: Are you making a records
10 requisition?

11 MS. SINGER NELSON: I am making a records
12 requisition.

13 JUDGE MACE: That will be Number 1.

14 MS. SINGER NELSON: And the question is, when
15 were the rates listed under the three categories on page
16 15 put into effect by the Commission in Washington?

17 JUDGE MACE: And these are the rates that
18 appear at lines 15 through 18?

19 MS. SINGER NELSON: No, lines --

20 THE WITNESS: 1 through 18.

21 MS. SINGER NELSON: -- 1 through 18, thank
22 you.

23 JUDGE MACE: 1 through 18.

24 THE WITNESS: Page 15.

25 MS. SINGER NELSON: And the question is when

0135

1 they were put into effect.

2 BY MS. SINGER NELSON:

3 Q. Mr. Reynolds, is that an exclusive list of
4 nonrecurring charges then that a CLEC would have to pay,
5 or are there sometimes other NRCs that CLECs have to pay
6 when they're providing those services?

7 A. There are other nonrecurring charges, for
8 example, for unbundled loop, that's the basic install,
9 and I think I explained in my testimony the purpose of
10 my testimony here is to provide sort of the minimum
11 threshold. There are other more exotic options,
12 ordering options and provisioning options that CLECs can
13 order that are more expensive than these rates,
14 especially for unbundled loops. I don't -- there's also
15 different nonrecurring charges for new UNE-P service as
16 opposed to conversions from existing, so there are
17 different nonrecurring charges for those as well, and
18 those are all listed in the SGAT. So if somebody wanted
19 to research that, they certainly could. Other
20 nonrecurring charges that might apply, I believe that
21 most features, for example if a CLEC wants to order
22 UNE-P from us and then add the features they want to
23 that line so that they can market those features to
24 their customers, many of the features do not have
25 nonrecurring charges, but a few do, and so those would

0136

1 be some additional nonrecurring charges for those
2 features that don't apply.

3 Q. And the CLECs would like to purchase, they
4 may like to purchase a lot of those other features if
5 they wanted to provide services comparable to the Qwest
6 business services that are listed in the petition; isn't
7 that right?

8 A. Yes, and -- but I wouldn't limit myself to
9 that. I mean I'm sure the CLEC has a business plan that
10 they want to follow, and they probably want their
11 services to fall into whatever business packages they
12 believe their customers want. I'm not sure that they're
13 just providing exactly what Qwest provides, and that's
14 the nice thing about UNE-P is that the CLEC can design
15 the service the way they want it. And so to the extent
16 -- and you asked the initial question was about
17 nonrecurring, and what I'm telling you is is that any
18 place where it was deemed that Qwest incurs costs in
19 actually providing a feature to a CLEC in designing this
20 feature package that they have, we're entitled to
21 recover it, and that would result in a nonrecurring
22 charge.

23 There are a number of those features that
24 don't carry nonrecurring charges, because when we
25 initially set up the UNE-P line, you know, we put the

0137

1 translations in that defined the line and the software,
2 and there's very little cost associated with it, so
3 those wouldn't carry nonrecurring charges. So it
4 depends on the feature, sometimes it depends on when
5 it's added.

6 Q. Now you also talk about the length of time
7 that it takes for a CLEC to get the service for its
8 customer. In the first category you talk about the
9 conversion would be completed the same business day.
10 Now how does that work? The way I was looking at it,
11 okay, on day one the CLEC notifies Qwest electronically
12 that one of its customers wants to switch to the CLEC.
13 Then also are you saying that on day one Qwest switches
14 the customer to that CLEC and the CLEC starts
15 provisioning the service?

16 A. My understanding is that a CLEC that wishes
17 to resell Qwest services, which is the first category,
18 and for conversions as is, that is if the CLEC is
19 willing to take that customer with the feature package
20 that they have with Qwest, we can do a same day
21 conversion, and that's -- so that's what that's speaking
22 to is that you can do a same day conversion. If the
23 CLEC wants to change a number of features and aspects of
24 the service, that would take longer. I don't think we
25 could do that same day. But a conversion as is, if the

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1 order comes in and we receive it before noon, we can do
2 it the same business day. And I believe that that's
3 covered in footnote 15 on the prior page.

4 Q. And do you know what the percentage of
5 conversions as is are, the number of orders?

6 A. I do not.

7 Q. Could you find that out?

8 A. I don't know. If it exists, I can.

9 MS. SINGER NELSON: I would like to find that
10 out, Judge, so I would ask that we would have a records
11 requisition.

12 JUDGE MACE: That will be records requisition
13 Number 2.

14 And would you phrase the question, please?

15 MS. SINGER NELSON: Yes. What is the
16 percentage of as is conversions for UNE-P services?

17 MS. ANDERL: On resale?

18 MS. SINGER NELSON: Yes, the three categories
19 that again are listed on lines 1 through 18 on page 15
20 of Mr. Reynolds' direct testimony.

21 MS. ANDERL: Well, I don't think there is an
22 as is conversion --

23 THE WITNESS: For unbundled loop.

24 MS. ANDERL: -- for unbundled loop, so.

25 MS. SINGER NELSON: Oh, okay, so it would

0139

1 just be UNE-P and resold.

2 THE WITNESS: That's correct.

3 BY MS. SINGER NELSON:

4 Q. So the same day is limited to as is orders,
5 and then it looks like based on footnote 15 on page 14
6 that the other condition on the same business day is
7 that the CLEC has to submit a mechanized LSR before noon
8 Mountain Time.

9 A. That's correct.

10 Q. Do you know the percentage of orders that are
11 mechanized and are sent to Qwest before noon Mountain
12 Time?

13 A. I don't know that, but you might -- I mean I
14 don't know what your -- is your question is what
15 percentage of orders are submitted before noon Mountain
16 Time and requests a conversion as is or total orders?
17 Because I believe if your question is the former that
18 that's probably what you're going to get in response to
19 your records requisition. Because if we didn't receive
20 it before noon Mountain Time, we wouldn't be able to do
21 -- we wouldn't be able to convert it as is. It wouldn't
22 meet the criteria.

23 Q. Well, so it has to meet both, it has to be as
24 is and it has to be mechanized before noon Mountain
25 Time?

0140

1 A. That's right.

2 Q. So there's also a question of whether Qwest
3 receives manual orders and what percentage of CLEC
4 orders are processed manually by Qwest?

5 A. That's fine, I mean that is a question, is
6 that on the table? I don't know the answer to that. I
7 suspect it's relatively small. I don't think we receive
8 many fax orders from CLECs any more. So I mean we can
9 certainly find that out.

10 Q. Would you agree that a manual order would
11 increase the conversion time?

12 A. Yes, I would.

13 Q. And would you agree with me that if the LSR
14 was received by Qwest after noon Mountain Time, that
15 would increase the conversion time?

16 A. That's correct.

17 JUDGE MACE: Ms. Singer Nelson, I'm wondering
18 how you're doing with your cross, we're thinking about
19 taking a break.

20 MS. SINGER NELSON: I probably have about 10
21 or 15 more minutes.

22 JUDGE MACE: Why don't you continue for right
23 now.

24 BY MS. SINGER NELSON:

25 Q. Mr. Reynolds, what is the source of the

0141

1 information on the top of page 15?

2 A. The source of the information I believe is
3 starred. It says rates filed, and you can even track it
4 down, which maybe obviates the need for one of your
5 records requisitions, but the rates are filed in Advice
6 3397T with this Commission for both the resold and
7 UNE-P, and I think the question on the table was I'm not
8 sure when we filed the rates for the unbundled loops,
9 but --

10 Q. How --

11 A. The ultimate source would be the tariff in
12 this state. You know, we're required to file our rates
13 in the tariff I believe even before they hit our SGAT,
14 so.

15 Q. And, I'm sorry, I want -- I really was aiming
16 more at your conversion time calculation. I apologize
17 for not being very specific on that. So what is the
18 source of your conversion times?

19 A. Are you asking whether that's in the tariff
20 or not?

21 Q. Where did you get the information to put it
22 in your testimony?

23 A. For the same business day for if we receive
24 it?

25 Q. (Nodding head.)

0142

1 A. I believe that that's either, and I can tell
2 you I don't know, I mean it was researched for me and --
3 but I suspect that you can either find it in the tariff,
4 that it's listed that way, or possibly in a service
5 interval guide that we provide to CLECs for how we
6 provision these services, so. And I honestly don't know
7 which one it is. And there may be a third, but those
8 are the two likely sources that I would suspect. It may
9 also well be in the SGAT too.

10 Q. And does that also apply to the three
11 business day installation for the unbundled loop?

12 A. Yes. I know that the three business day
13 installation, the quick loop, is in the service interval
14 guide that's available at Qwest's Web site.

15 Q. Let's focus on Exhibit 6C for a few minutes.
16 First of all, the five exchanges that Qwest lists in its
17 initial petition where services are not provisioned to
18 CLECs via UNEs or resale, are they all in Zone 5?

19 A. I would suspect that they are. I don't know
20 that for a fact, but I would suspect that they are.

21 Q. Is there something we can look at that would
22 tell us that in the record?

23 A. I don't believe so. I don't think I have
24 seen anything in the record that breaks the wire centers
25 down by the zones that we have for our unbundled loop

0143

1 wholesale services, but that information certainly is
2 obtainable.

3 MS. ANDERL: Your Honor, I would just
4 volunteer that I know that the zone rates are broken
5 down by wire center in Qwest's tariff, Qwest's wholesale
6 tariff, which is on file here at the Commission.

7 MS. SINGER NELSON: And the exchanges are
8 listed, are the exchanges listed in the tariff?

9 JUDGE MACE: Are the exchanges listed?

10 MS. ANDERL: The wire centers are, and the
11 wire centers can be correlated to exchanges through data
12 that's already in this docket in the record.

13 MS. SINGER NELSON: Thank you.

14 BY MS. SINGER NELSON:

15 Q. But your -- oh, well, a guess is a guess.

16 Let's look at the first half of this exhibit,
17 UNE-P elements and prices.

18 JUDGE MACE: I'm not sure if you're going to
19 mention something that's confidential.

20 Is there anything in that set of figures that
21 Qwest needs to protect?

22 MS. ANDERL: My understanding, and,
23 Mr. Reynolds, check me on this, but the UNE-P elements
24 and prices is not confidential. It's only the revenues
25 that's in the bottom part of the document.

0144

1 THE WITNESS: I would agree with that.

2 MS. SINGER NELSON: Okay.

3 BY MS. SINGER NELSON:

4 Q. So in here you list the UNE rate elements
5 that make up the UNE-P product; is that right?

6 A. Yes.

7 Q. You do not include the things we talked about
8 before as sunk costs here?

9 A. No.

10 Q. And you would agree that CLECs would have
11 some sunk costs?

12 A. You know, once again, I believe that any
13 company that wants to provide these services are going
14 to have costs that are in addition to whatever Qwest
15 charges them for a particular facility. And so I mean
16 -- and I think everybody understands the derivation of
17 these is based on Qwest's own costs to provision these
18 services. So by definition, we wouldn't include CLECs'
19 costs of any sort. I mean I will agree to you overall
20 that CLECs probably need to cover their costs to have a
21 prudent business plan, so.

22 Q. And here in this exhibit you also don't
23 include the NRCs that we talked about earlier, did you?

24 A. No, I did not.

25 Q. Now looking at average usage, the \$1.63 in

0145

1 each of the categories or each of the zones, it looks
2 like Qwest bases that on estimated usage of 1,000
3 minutes of use per month?

4 A. Yes.

5 Q. And that's a combination of switching and
6 shared transport?

7 A. Yes.

8 Q. Isn't the 1,000 minutes of use a month a low
9 estimate of minutes of use for business customers?

10 A. I actually went to our product management
11 people that deal with these products, and I asked them
12 for an estimate based on business type services, and
13 this is the estimate that I got, so I believe that it's
14 probably pretty reasonable.

15 Q. Are you familiar with the estimate that's
16 typically used in the cost cases as 1,200 minutes of use
17 for residential customers?

18 A. No, I'm not familiar with that.

19 Q. And if the average minutes of use was in
20 fact, is in fact higher than 1,000, that would increase
21 the average usage rate element; isn't that right?

22 A. Yes, it would, but as you can see, it's a
23 pretty small amount, and you could double it without
24 impacting the overall cost too much.

25 Q. Let's look at the bottom half now of this

0146

1 exhibit. You have several categories, and I will
2 attempt not to -- well, I will not state any
3 confidential numbers, but looking under -- are the
4 categories confidential?

5 A. (Shaking head.)

6 Q. The second category, do you see the second
7 column?

8 A. Yes, I do.

9 JUDGE MACE: Are you talking about the
10 average directory revenues?

11 MS. SINGER NELSON: Yes.

12 JUDGE MACE: I understood that to be
13 confidential.

14 MS. SINGER NELSON: The numbers are, I didn't
15 know if the category itself was confidential.

16 THE WITNESS: No, I don't think so.

17 JUDGE MACE: Ms. Anderl?

18 MS. ANDERL: (Shaking head.)

19 MS. SINGER NELSON: Okay, it's just the
20 numbers.

21 BY MS. SINGER NELSON:

22 Q. So under average directory revenues, is that
23 a revenue that all CLECs would obtain if they were
24 providing UNE-P services?

25 A. Yeah, I think so. Those are listing revenues

0147

1 that I believe, you know, Dex would compensate any LEC
2 for the listings.

3 Q. Those are deregulated; isn't that right?

4 A. I believe that they are, but they are a
5 revenue source, and we wanted to provide revenue
6 sources, so.

7 Q. Under the USF column, isn't it true that a
8 CLEC would only receive USF if it obtains eligible
9 telecommunications carrier status?

10 A. I don't know that. That's, you know, that's
11 a pass through element. I guess I would say though that
12 the CLEC can charge whatever they want ultimately. You
13 know, these are revenues that Qwest gets on these lines,
14 and I listed them because I was trying to do a
15 comparison between what we charge on a wholesale basis,
16 trying to include apples and apples, and you said I
17 didn't include nonrecurring down below, well, I didn't
18 include it on the retail side either. I tried to keep
19 these recurring rates that we charge wholesale and
20 retail, and the purpose of the comparison was just that.
21 A CLEC can purchase the UNE-P elements and charge
22 whatever they want to their end user customers. So I
23 don't -- I mean I have a hard time answering your
24 question that a CLEC can't include a USF, well, maybe
25 they can't put it on the bill as a USF, but they can

0148

1 certainly add 56 cents to their bill or to their price,
2 so they're not limited.

3 Q. The LNP rate, is that a charge that Qwest
4 imposes on its customers for implementing local number
5 portability?

6 A. That is correct.

7 Q. Is that a charge that CLECs would be able to
8 collect for UNE-P services?

9 A. I believe they would be able to collect
10 another 43 cents on the rate, so I mean whether they
11 want to call it LNP or whatever they want to call it, I
12 believe they can pretty much do what they want to do. I
13 mean their services are price listed, and so they -- I
14 think they can file any of these rates to the extent
15 they want to.

16 Q. Now I'm just moving on to your rebuttal, and
17 I'm almost done, and I'm specifically looking at page 11
18 of your rebuttal. You don't have to go there, but in
19 case you want the reference. It looks like --

20 CHAIRWOMAN SHOWALTER: Well, why don't you
21 just give us the reference, what exhibit are you talking
22 about?

23 MS. SINGER NELSON: It's page 11 in
24 Mr. Reynolds' rebuttal testimony, which is Exhibit 7RT.

25 BY MS. SINGER NELSON:

0149

1 Q. And, Mr. Reynolds, this is where you talked
2 about Qwest wanting, through competitive classification
3 of these services, you wanted the ability to deaverage
4 your basic business service rates; isn't that right?

5 A. I don't know that I say that specifically. I
6 think what I say is that, you know, we're currently
7 limited to statewide average pricing, and part of the
8 rationale for petitioning for competitive classification
9 is to gain freedom to respond to competitive activity
10 where and when it happens. And to the extent that that
11 results in deaveraging, you know, I would say that
12 that's a logical result.

13 I guess I would also add that the importance
14 of our ability to deaverage I think is highlighted by,
15 you know, the exhibit that we just looked at where we
16 looked at the different zones that the CLECs can
17 purchase from and the different prices. To the extent
18 that we're held to a statewide pricing mandate, you
19 know, it would be difficult to price without going below
20 the most expensive zone that we have in this state, and
21 then we get into questions that I think that are raised
22 by the CLECs regarding price squeeze and other things.
23 So that's part of our concern, and that's probably the
24 major thrust and the major reason why we want to have
25 these services competitively classified.

0150

1 Q. Isn't it true that Qwest did not deaverage
2 its business services when it obtained competitive
3 classification of DS1 services in UT-000883?

4 A. That is correct, and part of the reason that
5 we did not is it was a very limited grant, and it was a
6 somewhat difficult grant in that those services had to
7 be provided over a DS1 or greater facility, and so it
8 was difficult for us to work with that. We think that
9 this format is a much better format for us to work
10 within. It's the same format that the CLECs face
11 statewide, and so that's why we think -- that's why we
12 came back and filed this filing. And that's why we're
13 actually petitioning for some of the services where we
14 were previously granted competitive classification,
15 because we believe we have a good robust story from a
16 different perspective, and that is that the CLECs are
17 purchasing wholesale services statewide from us, and so
18 we shouldn't be limited to whether it's over a DS1 or
19 not any more.

20 Q. All right, Mr. Reynolds, I know we don't have
21 very much time for cross-examination, and I understand
22 that you have to explain your answer, and I don't want
23 to constrain that, but just for conserving time, could
24 you just respond to my question without a lot of
25 explanation, and then Ms. Anderl can follow up with you

0151

1 on redirect.

2 A. I will do my best.

3 Q. Thank you.

4 On page 13 at lines, starting at line 12, you
5 state that Qwest does not always know what retail
6 services CLECs are provisioning from the underlying
7 wholesale services; is that correct?

8 A. Yes.

9 Q. And then you say, unbundled loops can be used
10 to provision virtually any type of retail business
11 exchange service. Is that true for UNE-P as well?

12 A. No, but within -- I believe within a narrow
13 range of options, for example, I believe that a CLEC
14 could probably order UNE-P POTS, for example, and
15 provision it as a UNE-P PBX line. They both cost the
16 same, so I don't know that Qwest is not indifferent to
17 it. But once again there, we wouldn't know exactly what
18 the CLEC is doing. You know, when the CLEC buys the
19 underlying facility from us, especially with an
20 unbundled loop, we don't have visibility, they hook it
21 up to their switch and provision whatever service they
22 want.

23 MS. SINGER NELSON: Okay, that's all I have,
24 thank you.

25 JUDGE MACE: We'll take a recess for 15

0152

1 minutes.

2 (Recess taken.)

3 JUDGE MACE: Ms. Singer Nelson, you indicated
4 you were going to offer your exhibits.

5 MS. SINGER NELSON: Yes, Your Honor, MCI
6 moves for the admission of Exhibits 9, 10, and 11.

7 JUDGE MACE: Any objection to the admission
8 of those exhibits?

9 MS. ANDERL: No, Your Honor, with the one
10 qualification that both 9 and 11 contained Attachment
11 A's when Qwest provided their responses, and Ms. Singer
12 Nelson did not include those Attachment A's as parts of
13 the exhibit. She and I talked about this, it was
14 intentional, MCI simply meant not to include them, but
15 we would like to take another look at them before the
16 end of the day today and ascertain whether we would like
17 for purposes of completeness to offer the attachment A's
18 that belong to Exhibits 9 and 11.

19 JUDGE MACE: Are you suggesting that we
20 reserve ruling on the exhibits at this point until you
21 have had a chance to do that?

22 MS. ANDERL: No, they can be admitted as is,
23 but we would simply like to make those exhibits, if we
24 decide to offer the Attachment A's, that those would
25 then be subsequently included.

0153

1 JUDGE MACE: Ms. Singer Nelson, do you have
2 any problem with that?

3 MS. SINGER NELSON: I have no problem with
4 that.

5 JUDGE MACE: I will admit the exhibits at
6 this time.

7 MS. SINGER NELSON: I would also move for the
8 admission of Exhibit 12, which is Exhibit A to Qwest's
9 SGAT.

10 JUDGE MACE: Any objection?

11 MS. ANDERL: No objection.

12 JUDGE MACE: I will admit that.

13 MS. SINGER NELSON: Thank you.

14 JUDGE MACE: Let's turn next to Ms. Friesen.

15 MS. FRIESEN: Thank you, Your Honor.

16

17 C R O S S - E X A M I N A T I O N

18 BY MS. FRIESEN:

19 Q. Good news, Mr. Reynolds, Ms. Singer Nelson
20 reduced the time I will need.

21 A. Good.

22 CHAIRWOMAN SHOWALTER: What's the bad news?

23 Q. But I would like you to back up a little bit.
24 I would like to draw your attention to Exhibit Number 2,
25 which is the Exhibit Number 2 attached to your direct

0154

1 testimony, 1T, and that is a list of the basic exchange
2 services that Qwest is seeking competitive
3 classification for.

4 A. Yes.

5 Q. Are you there?

6 A. Yes, I am.

7 Q. I'm particularly interested in the market
8 expansion line service. As I understand this service --

9 JUDGE MACE: Where is that exactly?

10 MS. FRIESEN: It is under basic business
11 local exchange service, and it's in all caps. That's
12 the first column to the left on Exhibit 2.

13 JUDGE MACE: Thank you.

14 BY MS. FRIESEN:

15 Q. In any event, I am interested in market
16 expansion line service, and I believe, as I understand
17 this service, it provides a local telephone service from
18 a central office outside of where the subscriber's
19 exchange area is. In other words, the customer has the
20 ability to call from any number and have the call
21 automatically routed to another location. Is that a
22 correct summary of what that service does to your
23 knowledge?

24 A. I think that's close. I think it works off
25 what we call remote call forwarding so that when a call

0155

1 comes in to a number in a central office, the customer's
2 number, if the customer is in a distant CO, rather than
3 having dedicated circuits like a foreign exchange line,
4 the switch points the call to the switch where the
5 customer is located and terminates the call.

6 Q. Okay. Now if the CLECs have a service that
7 competes with that, for example provided over what is
8 known as VNXX or virtual NXX capability, are you
9 familiar with that?

10 A. I sat through one of the workshops for VNXX,
11 but that was my only familiarity with it.

12 Q. Okay. In those workshops, you may recall
13 that Qwest was suggesting to this Commission that the
14 CLECs' services that would compete with this market
15 expansion line, or MEL as Qwest calls it, should be
16 subjected to access charges. Now if the Commission
17 decides that that is indeed the case and the Commission
18 also decides that all such services should be subjected
19 to access and Qwest receives competitive classification
20 for its market expansion line service in this docket, is
21 it your contention as you sit there today that this
22 Commission would no longer have the authority to impose
23 access charges on your MEL service?

24 A. It's a very complicated question, but I think
25 the way I would answer, my knowledge of the Commission's

0156

1 authority in matters such as this is that the Commission
2 would certainly be able to relook at that at that point
3 in time. I believe that the issue actually came up
4 during the VNXX workshop and was discussed, and I
5 believe that at least some of the ILECs agreed that we
6 would probably have to relook at those services should
7 that happen. So I would think that there would at least
8 be a discussion, and I think it would be within the
9 Commission's authority to deliberate on that. I can't
10 sit here and tell you exactly how it all ought to come
11 out, because I don't know that I have thought through it
12 myself, but I think it would be a reasonable thing to
13 look at, and I think the Commission would probably have
14 the authority to look at it.

15 Q. Okay. And so by extension that would be true
16 of any of the services for which you seek competitive
17 classification. That is to say that should the
18 Commission allow competitive classification for the
19 services that you have asked, it has the authority at
20 some point in the future to impose some kind of pricing
21 requirements on any of those should it desire to do so;
22 is that correct?

23 A. My reading of the statute is, in fact I think
24 the Commission has explicitly laid out that they will
25 determine the cost methodology to evaluate these

0157

1 services. Also I would add that within the statute is
2 what I think is referred to as a clawback provision to
3 the extent that if conditions change, the Commission can
4 reverse a finding of competitive classification. So I
5 think the Commission has a lot of authority over these
6 services even though they become competitive classified.

7 Q. Okay, and short of, just so that I understand
8 your response, short of actually reversing its decision
9 to bring a competitive classification, it's your
10 contention today that the Commission still has or can
11 maintain some kind of pricing control over your service,
12 that is to say through the rates that you charge for the
13 costs that you incur to offer that service; is that
14 correct?

15 A. My reading of the statute, there's two
16 provisions in there, there's one that deals with cost,
17 and the other one deals with implicit subsidization from
18 other services. And if you read those two in concert, I
19 would say it gives the Commission authority to take a
20 look at the company's services, and to the extent that
21 there is a complaint filed, which is allowed under the
22 statute, they can certainly look into things like that,
23 and I believe they can deliberate on that. I am not an
24 attorney, but it appeared to me that nothing is certain
25 under the statute so to speak.

0158

1 Q. Okay, thank you.

2 Let's turn to your discussion in your direct
3 testimony on ease of entry, and in particular --

4 JUDGE MACE: What page are you at?

5 Q. I would like to look at page 9 of your direct
6 testimony, line 1. The reference I'm particularly
7 interested in reads as follows.

8 If indeed it is the case that the CLECs
9 will offer service where facilities are
10 available and such facilities are
11 available anywhere Qwest currently
12 offers service, then CLECs' services are
13 available everywhere Qwest services are
14 available.

15 Do you see that sentence?

16 A. Yes, I do.

17 Q. And you still agree today or you still assert
18 today that that's true; is that correct?

19 A. Yes.

20 Q. Now if I look at footnote 6, which is
21 connected to that sentence, you assert this based upon
22 the assumption that because all the CLECs' price lists
23 contain language similar to "service is available where
24 facilities permit", that because the CLECs are
25 suggesting that, you have drawn this conclusion in the

0159

1 sentence that I read to you out of the text of your
2 testimony; is that correct?

3 A. Yes.

4 Q. And it is your assertion then to this
5 Commission that when the CLECs put, service is available
6 where facilities permit in their price list, that
7 they're referencing Qwest facilities and not their own;
8 isn't that correct?

9 A. That was my reading for purposes of this
10 testimony. That is, if a CLEC held themselves out for
11 service on a statewide basis and they have the condition
12 in their testimony, or I'm sorry, the condition in their
13 price list that their service is subject to where
14 facilities are available, to the extent that Qwest has
15 services like resold services and UNE-P available to the
16 CLECs to purchase and resell, then theoretically
17 services should be available everywhere.

18 Q. Back to my question, I think it's -- I
19 understand the logical step that you take from this
20 assertion to the sentence that you have placed in the
21 text of your testimony. I just want to understand
22 clearly that you're representing to the Commission that
23 when a CLEC, when AT&T for example, puts in its price
24 list, service is subject to the availability of
25 facilities or where facilities permit, that AT&T is in

0160

1 fact referring to Qwest facilities and not its own; is
2 that correct?

3 A. That's how I'm reading it, yes.

4 Q. Next I would like to take you to page 15 of
5 your direct testimony, which is Exhibit 1T, are you
6 there?

7 A. Yes.

8 Q. And I believe you confirmed in your
9 discussions with Ms. Singer Nelson that as a CLEC, I
10 can't simply offer you a quarter and two pennies and
11 expect to serve one customer in Elk, that in fact there
12 are other costs associated with my ability to serve that
13 customer that I can switch for 27 cents; is that
14 correct?

15 A. Yes, I think I admitted that obviously as a
16 viable business, you would have costs in addition to
17 these inputs that you're purchasing from Qwest.

18 Q. And you're familiar with Qwest's SGAT, you
19 know what the SGAT is, do you not?

20 A. Yes.

21 Q. I believe in your testimony at page 16,
22 roughly line 17, you confirm that for a CLEC to gain
23 access to UNEs, some form of collocation is necessary.
24 And I believe that your SGAT at Section 8.1.1 also
25 confirms that some form of collocation is necessary to

0161

1 access UNEs; isn't that correct?

2 A. I believe my testimony is that it is
3 necessary to access the unbundled loops. I don't
4 believe that it's necessary to access the UNE-P.

5 Q. So in your SGAT at Section 8.1.1 where it
6 says:

7 Collocation allows for placing of
8 equipment by CLEC at Qwest premises
9 where technically feasible that is
10 necessary for accessing unbundled
11 network elements, ancillary services,
12 interconnection.

13 You would disagree with that statement, that
14 in fact I don't need to collocate to access UNE-P,
15 correct?

16 JUDGE MACE: Do you have a copy of the SGAT
17 provision you're referring to?

18 MS. FRIESEN: I do not, Your Honor, at
19 this --

20 CHAIRWOMAN SHOWALTER: It's very hard to
21 follow these questions. Perhaps the witness is
22 following it, but it's just hard to follow the whole
23 sequence, but if we have something in front of us that
24 we can track, or maybe just reading it more slowly,
25 affirmatively, saying here's the statement, now do you

0162

1 agree with it, because I didn't understand, I won't
2 understand the answer.

3 MS. FRIESEN: I would be happy to read it
4 again for you. The SGAT is a 300 page document, and I
5 didn't carry it with me.

6 BY MS. FRIESEN:

7 Q. But let me read Section 8.1.1 again on
8 collocation. Section 8 generally deals with collocation
9 in the SGAT, and this first sentence reads:

10 Collocation allows for the placing of
11 equipment by CLEC at Qwest premises
12 where technically feasible that is
13 necessary for accessing unbundled
14 network elements, ancillary services, or
15 interconnection.

16 Did you get the sentence?

17 A. Yeah, I did.

18 Q. So let me ask you again. In order for AT&T
19 to access UNE-P or UNE-L, do I need to have collocation
20 space?

21 A. I know that you need it for UNE-L, which
22 would be unbundled loop, because obviously that loop is
23 a naked loop that's not connected to any other part of
24 Qwest's network, so it has to connect to something, and
25 it has to connect to CLEC facilities in a central

0163

1 office.

2 What I'm not aware of, and, you know, we can
3 certainly check it, is whether there is any additional
4 type of collocation that's required for us to put together a
5 UNE combination, a UNE-P. My understanding was is that
6 these services are in place today and that it does not
7 require any additional collocation by the CLEC to
8 purchase these services, but I could be corrected on
9 that. I mean to the extent that there is some base line
10 collocation, I would think that it would be a minimal
11 type collocation, but I'm unaware of it.

12 Q. Okay. So it's fair to say, I was fair to
13 conclude that neither your testimony reveals nor your
14 understanding as you sit there today is clear enough to
15 allow the Commission to understand what kind of access
16 to your UNE-P and to your network I would need as a CLEC
17 to acquire access to that UNE-P for a particular
18 customer say that I wanted to serve in Elk; isn't that
19 correct? You just don't know?

20 A. I am not aware of the collocation requirement
21 for UNE-P. I will admit that. But I don't think that
22 that's a limitation. I still stand by my statement that
23 where our facilities are available, I believe that you
24 can resell our facilities, and I believe that you can
25 order UNE-P.

0164

1 Q. Do I need interconnection to access UNE-P?

2 A. I don't believe you do. I believe you
3 probably would -- are going to require interconnection
4 to serve your customers with unbundled loops. Because
5 to the extent it needs to go back through your switch,
6 then we would need some form of interconnection to be
7 able to terminate that traffic that's originated from
8 the unbundled loops back to our customers.

9 But to the extent that UNE-P includes
10 switching and it also includes shared transport, those,
11 you know, it stays within the network unless it --
12 there's egress through some sort of switched access to
13 an interexchange carrier. So I don't believe you would
14 require, you know, interconnection trunks to terminate
15 that traffic back to Qwest.

16 Q. Okay, so if I had --

17 A. I'm sorry.

18 Q. If I had customers on my own network and I
19 wanted that UNE-P, this customer to call one of those or
20 have access to one of those within the same exchange --

21 JUDGE MACE: Ms. Friesen, again, I'm sorry to
22 interrupt, but if you could speak more clearly and a
23 little bit more slowly.

24 Q. If I have as AT&T customers on my own
25 network, my own network facilities, and I want to pick

0165

1 up a UNE-P customer, okay, in an exchange, then it's
2 your contention today that I don't need an
3 interconnection trunk for the customer that's served via
4 UNE-P to call the customer that's served on my facility;
5 is that correct?

6 A. No, I think you probably would. I understand
7 what you're saying. To the extent that AT&T offered
8 both unbundled loops and they drew dial tone through
9 your switch, the only way that they would have access to
10 those customers would be through an interconnection
11 trunk, so I would agree with that.

12 Q. And an interconnection trunk for me is an
13 additional cost in addition to the switching cost that
14 you have identified on page 15 in your testimony; isn't
15 that correct?

16 A. Well, to a certain degree it's an additional
17 cost for Qwest as well. It's two carriers
18 interconnecting, so I would agree with that.

19 Q. Let's go back to page 16 of your testimony at
20 the bottom, line 17, where you do acknowledge that some
21 form of collocation is required for access to unbundled
22 loops. You say that you have no knowledge of overhead
23 costs associated with collocation. It's true, is it
24 not, that in order to serve even that one customer and
25 pay the switching, the customer switch rates that you

0166

1 have listed on page 15, I have to have something,
2 collocation, if I'm serving that customer via the loop,
3 a UNE loop alone, right, so we're on the same page?

4 A. Yeah.

5 Q. And those collocation costs --

6 CHAIRWOMAN SHOWALTER: Was there an answer
7 there?

8 THE WITNESS: Yes.

9 CHAIRWOMAN SHOWALTER: And it was yes?

10 THE WITNESS: Yes.

11 BY MS. FRIESEN:

12 Q. Those collocation costs include, among other
13 things, the following rate elements: Entrance facility
14 charges, cable splicing charges, 48 volt DC power usage
15 charges, AC power feed, inspector labor charge, channel
16 regeneration charge, interconnection tie-pair charge,
17 collocation termination charge, security charge,
18 composite clock central office synchronization charge,
19 48 volt DC power cable charge, space availability report
20 charge, CLEC to CLEC connection charge possibly, and
21 possibly a microwave entrance facility charge. That's
22 on top of all of the collocation costs I pay for the
23 space if it's caged for virtual. If it's not, I don't
24 pay for the cage space. But that's on top of the
25 charges for virtual and/or physical collocation just to

0167

1 acquire the collocation space, isn't that true, or the
2 collocation in the first instance?

3 A. I believe that those are many of the charges
4 for installation. I think you named some that would
5 depend on the service that you would be providing, and
6 it also would be dependent on how close you were to the
7 switch, where you were located in the central office, so
8 I'm not going to quibble over those, but it is a list of
9 the nonrecurring charges I believe for setting up a
10 collocation.

11 Q. Right, and that's --

12 A. That's what you just read.

13 Q. Yes. And you're not including that in your
14 lack of knowledge of overhead for the CLEC, right? You
15 understand that there's the collocation costs, and then
16 there's some called overhead.

17 A. Yes.

18 Q. Right?

19 A. Yes.

20 Q. Okay. And that's separate and apart in your
21 mind and in your testimony?

22 A. Well, I believe that a lot of the costs of
23 the collocation, the lion's share of the costs of the
24 collocation are, you know, you just went through the
25 nonrecurring charges of setting that up. I also

0168

1 understand that the CLEC probably has some overhead
2 charges as well, and I was acknowledging that. I'm not
3 trying to hide anything here. I think that there are --
4 that there are costs associated with not just turning up
5 a loop, but there are collocation costs, and there are
6 the CLEC's costs once they get back to their own switch
7 and the back office costs, the accounting costs, all of
8 that's there.

9 Q. Okay.

10 A. But I would say that, you know, I think CLECs
11 are able to recover those costs. I mean obviously
12 they're up and running, there's a lot of unbundled loops
13 out there, so I believe that it's probably working for
14 them. And it's a game of numbers. I think as you said,
15 if you only had one loop, this would be very expensive.

16 Q. Mr. Reynolds, it's true, is it not, that in
17 order to cover those costs, I've got to spread them over
18 my customer base in the charges that I charge to my
19 customers; that's how I recover them, isn't it?

20 A. Yes.

21 Q. And so if I have one customer in Elk and I'm
22 just setting up and just developing my collocation, I
23 can't economically, it's not economically feasible for
24 that customer to pay all those charges just for that one
25 loop, is it?

0169

1 A. If that's the way you're setting up, I don't
2 think that would be a prudent business plan, yeah.

3 Q. So I would have to have a sufficient customer
4 base for it to be economically feasible for me to serve
5 that customer in Elk, would I not?

6 A. If that's the way you're going to serve them,
7 yes.

8 MS. FRIESEN: You know, that's all I have,
9 thank you, Mr. Reynolds.

10 THE WITNESS: You're welcome.

11 JUDGE MACE: Thank you, Ms. Friesen.

12 Let's turn next to Public Counsel.

13 MR. FFITCH: Thank you, Your Honor. I
14 confess to a little bit of surprise. My notes showed I
15 thought that ATG was going before us, but I would be
16 happy to, if that's Mr. Levin's expectation, I would be
17 happy to have him go.

18 JUDGE MACE: I'm sorry, I understood based on
19 our discussion of the cross order yesterday --

20 MR. FFITCH: My notes are wrong.

21 JUDGE MACE: -- Friday that the order was,
22 and I recited this earlier today, MCI, AT&T, Public
23 Counsel, ATG, Department of Defense, WeBTEC. If it's
24 different, please let me know.

25 MR. LEVIN: I don't know, I had my notes that

0170

1 Public Counsel was before, just before WebTEC at the end
2 on the Qwest witnesses.

3 JUDGE MACE: All right.

4 MR. FFITCH: I would be happy to defer to
5 Mr. Levin if he's ready to go.

6 JUDGE MACE: All right, who's next?

7 MR. LEVIN: I am ready.

8 JUDGE MACE: Thank you.

9

10 C R O S S - E X A M I N A T I O N

11 BY MR. LEVIN:

12 Q. Good morning, Mr. Reynolds.

13 A. Good morning.

14 Q. I'm Richard Levin, and I represent Advanced
15 Telcom, Inc., also known as ATG, so you will know if I
16 refer to ATG I'm talking about my client.

17 A. Okay.

18 Q. I wanted to follow up first on something that
19 Ms. Singer Nelson asked you. You said I believe that
20 Qwest eliminated digital loops ordered by CLECs from the
21 quantities which it attributed to CLECs as having in
22 service for purposes of analyzing market shares; is that
23 right?

24 A. That is correct.

25 Q. Is it not true that Qwest has engaged in a

0171

1 certain amount of bulk deloading of loops in Washington
2 as part of the 271 process?

3 A. I don't know that it was part of the 271
4 process. I am aware of a bulk deloading as part of our
5 merger agreement.

6 Q. And the bulk deloading would consist of in
7 effect creating qualified loops on masses of loops;
8 isn't that right?

9 A. Yes, it could.

10 Q. So that in order for a CLEC ordering one of
11 those loops to get a qualified loop, they would not have
12 to order it digitally qualified?

13 A. That's a possibility. We, you know, once we
14 turn a facility over to the CLECs, we don't know exactly
15 what they will do. I mean the best that we could do in
16 this petition was to take only those loops that would,
17 you know, qualify from the analog perspective and
18 include those in. I think I already went through the
19 detail with Ms. Singer Nelson on how we did that.

20 Q. Now Qwest charges more for a digitally
21 qualified loop than for a non-digitally qualified loop,
22 does it not?

23 A. I would need to check that. I believe that
24 we do -- we charge for conditioning, loop conditioning,
25 so if that's what you had in mind, we do have

0172

1 conditioning charges.

2 Q. So if a --

3 A. But --

4 Q. Go ahead.

5 A. Well, you know, I guess it's a matter of a
6 request. I mean to the extent, I think you just said
7 yourself, to the extent that a loop has been unloaded as
8 a result of the mass loading charge and the CLEC happens
9 to order a two wire analog loop and doesn't specify
10 whether it's loaded or not, they may well get an
11 unloaded loop I mean without paying an additional
12 charge. But I think your question was specifically if
13 the CLEC requests a certain level of conditioning on the
14 loop, is there an additional charge, and I would answer
15 yeah.

16 Q. The point of the bulk deloading was so that
17 CLECs did not have to make special requests for
18 deloading because Qwest would have a large number of its
19 loops deloaded already; wasn't that right?

20 A. I think that the purpose of deloading was so
21 that companies could start provisioning the digital
22 subscriber loop type services, both CLEC and Qwest.

23 Q. And they could start providing them without
24 ordering a specifically digitally qualified loop so that
25 they could avoid the loop conditioning charges; is that

0173

1 correct?

2 A. I don't know that for a fact, whether that
3 was a rationale that was thought of. I mean I wasn't --
4 I believe that from the CLECs' perspective that they
5 viewed it that way.

6 Q. Do you know any other purpose of bulk
7 deloading other than to provide a pool of qualified
8 loops that CLECs don't have to pay conditioning charges
9 on?

10 A. Well, I think it was so both sides could
11 provide these services to customers without having to
12 deload them.

13 Q. So the purpose --

14 A. So it reduced costs both from a retail
15 perspective and from a wholesale.

16 Q. So Qwest was preconditioning its own loops as
17 well as loops for sale to CLECs?

18 A. Absolutely, to the extent that the loop pool
19 became conditioned, both sides benefited from it.

20 Q. Now to the extent that a CLEC like my client
21 took advantage of that and simply ordered a loop but
22 used it for digital purposes, you did not pull that loop
23 out, because you don't know about how many of those
24 loops have been used for digital purposes? And when I
25 say those loops, I'm referring to the bulk deloaded

0174

1 loops.

2 A. Yes, that is correct. You know, we, as you
3 say, we don't, you know, we don't track exactly what the
4 CLEC does for it, but as I said, we were as careful as
5 we could. For example, we also excluded all DS1 loops
6 over which CLECs may be providing analog services, so we
7 may have missed out on some CLEC count over DS1, and we
8 don't know that. But, you know, we were as careful as
9 we could to match up the two sides with the underlying
10 facility and the capabilities of that facility.

11 Q. That brings up an interesting point. You
12 said you excluded the DS1 loops, and the reason for that
13 I take it is because a DS1 loop is commonly used with
14 appropriate equipment to create 23 or 24 DS0 equivalent
15 channels which can be used for digital services; is that
16 right?

17 A. That's correct, and that's why we excluded
18 it. I mean we took the conservative approach and said,
19 you know, CLECs might be provisioning some analog
20 services. In fact, I believe Staff's analysis bears out
21 that they were providing some analog services over DS1s,
22 but we netted those out, assuming that they were all
23 digital. We did not net them out for our own company,
24 because we were able to determine that those were analog
25 services. And because we included them on the retail

0175

1 side, it's actually a very conservative petition on our
2 part.

3 Q. Now when Staff did its own market share
4 analysis, which Qwest has discussed in testimony, is it
5 your understanding that Staff did or did not take out
6 the DS0 equivalents that were created on DS1s by CLECs?

7 A. The only visibility I had to Staff's data is
8 through Mr. Wilson's testimony and his exhibits, and my
9 understanding of what Mr. Wilson attempted to do is to
10 clearly distinguish between digital services and analog
11 services. And he says so in his testimony, and I have
12 to take him at his word that he did that, so.

13 Q. Did you review the questionnaire spreadsheet
14 that went out to CLECs?

15 A. I probably did when it first went out, yes.

16 Q. Did you notice whether it broke out digital
17 from analog services when it asked CLECs to report
18 quantities?

19 A. I don't recall the exact language. I do
20 recall Mr. Wilson's testimony that he asked or that he
21 testified that he asked all CLECs to distinguish between
22 digital and analog.

23 Q. Will you accept subject to check that it did
24 not ask CLECs to differentiate between digital and
25 analog facilities?

0176

1 MS. ANDERL: Well, Your Honor, I don't think
2 that's an appropriate subject to check. There's a
3 document that can be placed in front of the witness,
4 should have been identified as a cross-examination
5 exhibit.

6 MR. LEVIN: We can take this up with Staff,
7 thank you, I will move on.

8 BY MR. LEVIN:

9 Q. Now turning to page 5, lines 6 to 7 of your
10 direct testimony.

11 MS. ANDERL: I'm sorry, may I have the page
12 number again?

13 MR. LEVIN: Yes, page 5, lines 6 to 7.

14 BY MR. LEVIN:

15 Q. And there you say that, and this is Exhibit
16 1T for the record, there you say that:

17 Consequently, in order to compete on an
18 equal footing with other providers,
19 Qwest seeks to gain the same regulatory
20 flexibility as its competitors.

21 So it's your position that Qwest is currently
22 at a disadvantage vis a vis its competitors?

23 A. Yes.

24 Q. Does Qwest have the ability without the
25 relief that it's seeking here under Washington law and

0177

1 rules to vary its prices at all?

2 A. We can vary our prices on a ICB contract
3 basis, we can file contracts on a specific customer.

4 JUDGE MACE: What's an ICB?

5 THE WITNESS: An individual case base
6 contract.

7 JUDGE MACE: Thank you.

8 A. We do have the ability to file contracts and
9 -- but that would be on a customer by customer basis.
10 To my knowledge and my understanding of the rate mandate
11 we're under from our last rate case, we do not have the
12 ability to come off of statewide average rates for our
13 business services, and the CLECs do have that ability.

14 BY MR. LEVIN:

15 Q. But you could come back to the Commission and
16 apply if you wanted to reduce a statewide rate, couldn't
17 you?

18 A. Yes, we could. It's not what we're seeking
19 here.

20 Q. And you could also come in and if you wanted
21 to ask the Commission to allow you to raise a statewide
22 rate?

23 A. Yes, we could. But once again, it's subject
24 to suspension and a long proceeding. And so I mean
25 there's an obvious reason why we're coming in for this

0178

1 petition.

2 Q. And you already have the relief that you're
3 seeking here for high capacity circuits in four major
4 markets for both digital and analog services; isn't that
5 right?

6 A. We do have the ability to, or our services,
7 our analog services are competitively classified if
8 served over a DS1 or greater facility, so those have
9 that restriction on them. Our digital services are
10 competitively classified in a number of wire centers as
11 well, and I believe it's four or five exchanges, but we
12 don't have that ability statewide.

13 Q. Now on page 5 again, line 16, the question
14 through your answer at the bottom, 22. This is again
15 Exhibit 1, 1T. You say that, you're talking about
16 unbundled loops and UNE-P, competitors are not generally
17 using these products to provision their digital switched
18 services. If a customer, if a CLEC buys an unbundled
19 loop and uses it to provide ISDN BRS service, that is a
20 digital service, is it not?

21 A. Yes.

22 Q. And that can be used for voice or data
23 depending on how it's configured?

24 A. Yes.

25 Q. And would that be a digital switched service?

0179

1 A. Yes, I believe -- I believe it would be
2 constituted as a digital switched service. I don't
3 understand what your question -- is there a question
4 about what my testimony says?

5 Q. No, that was I just wanted to give you the
6 frame of reference.

7 A. Okay.

8 Q. You say here that the competitors are using
9 -- are not generally using the products to provision
10 their digital switched service, but, in fact,
11 competitors' digital switched services are competing
12 with Qwest PBX, Centrex, and business lines, are they
13 not?

14 A. Yes, they are.

15 Q. And so in order for the market share analysis
16 to be an accurate reflection of what the total market is
17 for these services, you would have to look at the entire
18 competitive market to understand it, wouldn't you, all
19 the services that compete with each other and may be
20 interchanged?

21 A. You know, I think I went into why we
22 distinguished between digital and analog earlier, and,
23 you know, I stand by it. I believe we'll probably get
24 the opportunity to talk about digital services. I do
25 think that they're different, they require different

0180

1 CPE, and I think I talked about how we tried to segment
2 the wholesale services that we sell to CLECs and do the
3 best job we can to match up what we believe they're
4 purchasing to provide analog type services as opposed to
5 digital.

6 We do sell DS1 services, and we do know that
7 CLECs do provide some analog services over them, but
8 because we believe those to be predominantly digital, we
9 excluded those from the count. We do sell other types
10 of unbundled loops that provide the type of
11 functionality and conditioning that a CLEC would require
12 for digital services, we excluded those.

13 We only included the base and analog type
14 loops for unbundled loop purposes, and we only included
15 those categories of the UNE-P that represent the same
16 types of analog services, so we tried to match those up.
17 And I think we did a pretty good job, and it's born out
18 by Staff's analysis that specifically asked for digital
19 services, because their numbers are either equal to or
20 greater than ours, so I, you know.

21 Q. So it's your position that even though
22 digital services in fact compete with your analog
23 services, they're not properly part of the market share
24 analysis for voice services?

25 A. I believe that you can segment it, because

0181

1 customers purchase different CPE to provision those
2 services or to make those services work. So yeah, I
3 mean we distinguish between the two that way, and, you
4 know, that's our petition here today.

5 CHAIRWOMAN SHOWALTER: What is CPE?

6 THE WITNESS: CPE is the customer premises
7 equipment, so it would be in the nature of digital sets
8 that are capable, ISDN capable set, you know, telephone
9 sets and also digital PBXs versus analog PBXs.

10 BY MR. LEVIN:

11 Q. Now if Qwest had come in and defined the
12 marketplace in economic terms, is it your understanding
13 that the market would consist of all services that
14 compete with each other?

15 A. I guess I don't understand what you mean by
16 economic terms.

17 Q. Market share analysis usually looks at what
18 the market is, what customers buy and what they
19 substitute; isn't that correct?

20 A. Yes, it can.

21 Q. Because in fact you're asking the Commission
22 to look at other substitutions here which are
23 provisioned in different ways, including wireless and
24 voice over IP, aren't you?

25 A. That's part of our testimony, that our

0182

1 competitors are actually substituting those types of
2 intermodal competitive services for our analog services.
3 So might they be substituting those for digital
4 services, you know, I don't know. We didn't make that
5 case, but we might make that case if that's relevant
6 when we come in with our digital filing.

7 Q. So on the one hand you're saying to the
8 Commission, when you look at our network and our CLEC
9 competitors networks, don't look at digital services
10 which may compete with the analog services even though
11 they're functionally interchangeable; is that --

12 A. Well --

13 Q. I haven't finished the question.

14 A. Okay.

15 Q. But when you do look at the wireless and
16 voice over IP, look at other services that are provided
17 differently because they're functionally
18 interchangeable.

19 A. No, I don't think that's what we're saying.
20 I mean we stick with the basis of our petition, analog
21 services. And I believe that when we talk about
22 wireless and we talk about VoIP and some other
23 intermodal forms of competition, we talk about how that
24 can have an impact on the analog services. And so that
25 there is substitute ability within the market as we have

0183

1 defined it.

2 Q. Now if Qwest had gone into its product
3 catalog and said, you know, we're not going to do
4 Centrex and we're not going to do UNE loops in this
5 docket, we're not going to do our just business single
6 line service -- excuse me, let me rephrase it.

7 If Qwest had said, the only thing we're going
8 to do is business lines here, we're not going to do
9 Centrex, we're not going to do PBXs, does the market for
10 comparison then become CLECs' single business lines?

11 A. You know, that's not what Qwest did. Qwest
12 used Centrex. I don't -- I can't, I mean I don't
13 understand your hypothetical.

14 Q. What I'm asking you is --

15 A. CLECs --

16 JUDGE MACE: Now this is a problem that I
17 alluded to in our pre-hearing conference, you have to
18 wait until each other are finished so that the reporter
19 can capture what you're saying.

20 MR. LEVIN: Thank you, I apologize, I will
21 try not to do that.

22 BY MR. LEVIN:

23 Q. So who was talking?

24 A. I will let you go, go ahead. Could you
25 rephrase your question?

0184

1 Q. Let me ask it very simply. Is the market for
2 services defined for purposes of market share analysis
3 by the services that Qwest chooses to put in its
4 petition?

5 A. No, I believe to a certain degree the market
6 is defined by customers in their demand for services,
7 and I believe that I explained that we think we can sort
8 of segment the markets between customers that demand
9 analog type services as opposed to those that demand
10 digital type services. And we have tried to isolate
11 that in the demand numbers that we have provided both on
12 a retail Qwest offered basis and on a wholesale Qwest
13 offered basis. That's Qwest's case. Staff has
14 augmented it with some additional information that we
15 were unable to get, and once again Staff tried to do it
16 only on an analog basis. But I think that the market is
17 defined by the customers and what they demand. And so
18 to the extent that there are demand for analog services
19 due to the types of facilities that customers have, I
20 think that that is a relevant market, and that's what
21 we're in here petitioning for.

22 Q. Well, let's take a hypothetical customer, and
23 the customer is setting up a new business in Washington,
24 and let's assume it's not in the markets where you
25 already have competitive classification for your

0185

1 services provided over DS1 or higher facilities. That
2 customer doesn't own any equipment at this point. It's
3 setting up let's say a small factory or something like
4 that, and it's trying to figure out how to purchase
5 telephone service. That customer has a lot of options
6 about buying equipment. The customer can buy say a PBX
7 or a large key set, key set unit; is that right?

8 A. Yes.

9 Q. The customer could decide to go with a total
10 Centrex solution with less customer premises equipment;
11 isn't that right?

12 A. That's correct.

13 Q. Some of those solutions will be analog, and
14 some of them will be digital; isn't that correct?

15 A. That's correct.

16 Q. And the customer is going to make the
17 evaluation of which services to buy based on what
18 service configuration works best for them on a cost,
19 present and future cost basis for their communications
20 needs; isn't that right?

21 A. I think I could agree with that, yes.

22 Q. Irrespective of whether the solution is
23 analog or digital?

24 A. Well, I think whether it's analog or digital
25 is probably going to impact the price and will impact

0186

1 their decision criteria, and their data needs I think
2 will be affected by whether it's analog or digital, so I
3 do think it's going to impact their decision making
4 process. I don't think it's irrespective of whether
5 it's analog or digital, so I think that those are
6 important criteria, customers have made choices, and we
7 have services that will serve both types of customer.
8 So I mean --

9 Q. But it's the same customer shopping for voice
10 services who will be comparing digital voice to analog
11 voice; isn't that right?

12 A. That's correct.

13 Q. For some customers, digital will work out
14 better, for some customers the analog will work out
15 better?

16 A. I think that's probably true.

17 Q. But that will depend on the particularities
18 of that customer and the customer's long and short term
19 needs?

20 A. I would agree with that, thus the market can
21 be segmented along those different needs.

22 Q. Now you have testified that Qwest's case is
23 substantially based on competitors selling total Qwest,
24 reselling total Qwest service including UNE platform and
25 total service resale; is that right?

0187

1 JUDGE MACE: Where are you, Mr. Levin, are
2 you referring to a part of his testimony?

3 MR. LEVIN: Yes, I'm Exhibit 1T, page 7,
4 beginning at line 25 continuing over to the next page.

5 A. Just to correct I think what you posed to me,
6 I think what it says is that our case is based on, you
7 know, the quantities of wholesale services purchased by
8 alternative providers, and that includes the three
9 categories that we have listed, resale, UNE-P, and
10 unbundled loop. It does not rely on any data that, for
11 example, similar to what Staff sought of CLECs' owned
12 facilities that came in through the Commission's data
13 request.

14 BY MR. LEVIN:

15 Q. So it's the combination of these that Qwest
16 feels meets the standard?

17 A. Yes.

18 Q. Of the statute?

19 A. Yes. And the idea that these are, you know,
20 I think we point this out in my testimony, the idea that
21 these are, in our estimation when we filed this case,
22 you know, minimum market share numbers. Because I think
23 we were all aware that there were additional loops that
24 CLECs provisioned themselves that have come to light in
25 Staff's analysis and that there are intermodal forms of

0188

1 competition, so that we're actually losing services to
2 wireless and services like VoIP, voice over Internet
3 protocol.

4 Q. When you say substantially based on resale,
5 total Qwest service resale of UNE platform and resale of
6 unbundled loops, when you say the term substantially
7 based, you mean that that's the primary emphasis of your
8 proof; is that right?

9 A. That's correct, and I guess that's what I was
10 just trying to distinguish, that we do -- at this point
11 in time, me filing my direct testimony, Staff's data
12 request had not come in yet. I mean our base case was
13 our wholesale services that we sell to competitors
14 compared to our retail services. But we did make the
15 case that there probably were, you know, this was the
16 minimum market share analysis, because there were other
17 services that CLECs were provisioning over their own
18 facilities that we did not have access to at the time.

19 Q. Do you believe -- let me rephrase that.

20 Is it your position that each of these forms
21 of CLEC resale, UNE-P, total service resale, and UNE
22 loops, have equal weight in the Commission's evaluation
23 under the statute?

24 A. I believe that they are all situations where
25 CLECs are purchasing wholesale services from Qwest to

0189

1 compete against our services, and I believe that, you
2 know, there's been a lot of discussion at the FCC level
3 and in various forms across this country as to the value
4 of resale versus UNE-P versus unbundled loop, and I
5 believe that some of it's in the testimony, it's not my
6 testimony. I believe that they are valid forms of
7 competition to consider, I believe that the Commission
8 could give different weights to the various types of
9 competition, but I believe that they all serve an
10 important purpose for the CLECs.

11 Q. But that wasn't my question. My question
12 was, in your opinion, do they all have equal weight? Is
13 one line of UNE loop equal to one line of resale, is it
14 equal to one line of UNE-P for purpose of analysis under
15 the statute?

16 A. Well, by adding that condition at the end,
17 you're asking me to interpret what the statute means and
18 what the Commission's authority for consideration is or
19 my own opinion of what the statute means?

20 Q. Your opinion.

21 A. I believe that they should all be given equal
22 weight from the perspective of, you know, comparing that
23 these are lines that Qwest no longer sells to its retail
24 customers if they sell them to wholesale customers that
25 are able to extract margins from them and able to market

0190

1 them with their other products. So Qwest essentially
2 loses any potential margin of that product through that
3 type of packaging. And so yeah, I believe that they're
4 all valid forms of competition and ought to be given
5 equal weight.

6 Q. So your answer is yes?

7 A. Yes.

8 Q. So that if all of the competitors' market
9 share consisted of resale only, you would still say that
10 the market is effectively competitive?

11 A. Yeah, I think I would, yes.

12 Q. And if the Commission were to look at
13 individual exchanges, would you say the same thing, if
14 an exchange is resale only, that's an effectively
15 competitive exchange?

16 A. Yes. I don't know why I would change my
17 opinion as to whether it were exchange or on an overall
18 statewide basis. I think to the extent that CLECs are
19 competing, have set up for business, have taken
20 customers from Qwest via Commission mandated rates, and
21 are earning margins on it, able to package other
22 services with it, able to extract those margins, yeah,
23 absolutely, I believe that those are effective forms of
24 competition that this Commission should consider.

25 Q. Now on Exhibit 1T at page 9 at line, going

0191

1 from line 21 to the top of page 10, line 2, you say:

2 As previously explained, Qwest's
3 petition focuses mainly on the ability
4 of CLECs to provision services via
5 unbundled network elements and resold
6 services purchased from Qwest.

7 What that really means is that Qwest's
8 primary competition throughout the state is UNE-P and
9 total service resale, doesn't it?

10 A. No.

11 Q. What would the competitor market share be
12 without UNE-P and resale?

13 A. Well, I believe, you know, that's hard to
14 answer, because there's a lot of market share numbers
15 now that are included in this petition. There's new
16 data that came in as a result of Staff's data request
17 that includes CLECs' owned loops, and I believe if you
18 take CLECs' owned loops and you take unbundled loops and
19 add that, and add those two together, and if you wanted
20 to net out resold and UNE-P, I believe that the market
21 share is somewhere around 25%, just my recollection of
22 the CLECs' market share.

23 Q. The market share for the CLECs, you're
24 talking about the CLECs' share of the total market?

25 A. I'm talking for the services that we filed

0192

1 competitive classification for in this proceeding. If
2 you take resale, which is a very small piece of the
3 numbers that we put together, and you take UNE-P and you
4 segment that out of the numbers and you include Staff's
5 evidence that they found of CLEC owned loops and
6 unbundled loops and you compare them to our totals, I
7 believe that you will find that CLECs have about 25% of
8 that market.

9 Q. But that includes the CLEC owned loops and
10 UNE loops?

11 A. Yes.

12 Q. In that 25%?

13 A. Yes.

14 Q. I'm asking you if you take out the total
15 service resale and UNE-P, what is the CLEC market share?

16 MS. ANDERL: Objection, asked and answered.

17 Q. Is that the question you thought you were
18 answering?

19 A. Yes.

20 Q. Okay.

21

22 E X A M I N A T I O N

23 BY JUDGE MACE:

24 Q. Well, I guess I'm not clear. I thought that
25 you said you had resale plus UNE-P plus CLEC owned plus

0193

1 UNE-L, and that constituted 25%. That's not the answer
2 that you gave? I'm sorry, I don't want to belabor the
3 record, but what I have is an addition of those four
4 items.

5 A. Let me try to clarify it. Qwest's case, our
6 initial case in this proceeding was based on wholesale
7 services that we had in our inventory. I mean we knew
8 about them, and thus we could file and include that as
9 part of our petition, and those included resold, they
10 included UNE-P and UNE-L.

11 Q. Right.

12 A. The new dimension that Staff added when they
13 got information back from the CLECs was information
14 about CLEC owned loops, so that's a fourth category.
15 Those are services that we don't sell CLECs. Those are
16 preprovisioned by CLECs that they own themselves. And I
17 thought the question was, what would CLEC market share
18 be if, you know, in this case, if you were to back out
19 total service resale and UNE-P, and I attempted to
20 answer it based on my recollection of the numbers. I
21 believe that that number is somewhere in the
22 neighborhood of 25%.

23

24

25

0194

1 E X A M I N A T I O N

2 BY CHAIRWOMAN SHOWALTER:

3 Q. The follow-up question is, is the CLEC owned
4 lines in both the numerator and the denominator of the
5 figure?

6 A. Yes.

7 Q. Which you backed out?

8 A. Yes.

9 CHAIRWOMAN SHOWALTER: Okay.

10 JUDGE MACE: We're going to take our lunch
11 recess now, we'll resume at 1:30.

12 (Luncheon recess taken at 12:00 p.m.)

13

14 A F T E R N O O N S E S S I O N

15 (1:35 p.m.)

16

17 JUDGE MACE: I'm wondering if before we go
18 ahead with your cross-examination I could ask,
19 Mr. Levin, I could ask one question of the witness.

20

21 E X A M I N A T I O N

22 BY JUDGE MACE:

23 Q. Are the analog lines served over DS1 lines
24 that were included in the prior reclassification, are
25 those included in the market share numbers in this case?

0195

1 A. To the extent that they still exist, yes. We
2 included all analog lines whether they are provisioned
3 over DS1 or are provisioned directly to the customers
4 over copper.

5 JUDGE MACE: Go ahead, Mr. Levin.

6

7 C R O S S - E X A M I N A T I O N

8 BY MR. LEVIN:

9 Q. Picking up on that, let me ask you, voice is,
10 before it gets to the telephone network, is analog,
11 right?

12 A. That's correct.

13 Q. And at some point all voice that hits the
14 network becomes digital?

15 A. That's probably true. It would depend I
16 think on -- I suppose there are some remote situations
17 where that may not be true where you would still be
18 analog switching, but I think generally today at least
19 in our network it's true if you're going to switch the
20 call.

21 Q. So the difference between a digital voice
22 service and an analog voice service as Qwest defines it
23 I take it is something about the point at which the
24 voice becomes digitized; is that right?

25 A. Yes.

0196

1 Q. So if it becomes digitized at the customer
2 premises, then it's a digital service according to
3 Qwest?

4 A. Not necessarily. You know, we sell our
5 services as analog services, and to the extent that a
6 service may travel digitally over our network or over a
7 facility the customer might order like a DS1 for ease of
8 the way they are provisioning their telecommunications
9 services, to the extent that at the customer premise
10 it's provisioned as an analog service, then that would
11 determine whether it's an analog service or not. We
12 would actually bill the customer, for example, for an
13 analog PBX trunk even though it might travel over a DS1.

14 Q. Okay. But with the analog PBX trunk, at what
15 point is the voice digitized, does it become a digital
16 signal as opposed to an analog?

17 A. Probably at the D4 channel bank when it hits
18 the DS1.

19 JUDGE MACE: I'm sorry?

20 A. At a D4 channel bank, which is a piece of
21 equipment that converts the analog signal into a digital
22 signal so that it can travel over the DS1 digital
23 facility to the central office.

24 Q. And so the difference between an analog PBX
25 trunk and a digital PBX trunk is that the conversion of

0197

1 voice in the case of a digital PBX trunk occurs at the
2 customer's premises, whereas the conversion for the
3 digital, according to Qwest, occurs in the central
4 office?

5 JUDGE MACE: You mean for the analog?

6 Q. For the digital occurs in the central, excuse
7 mere, for the analog occurs in the central office and
8 the digital occurs on the customer premises.

9 A. I don't know that it's that simple. Maybe I
10 could expand. To the extent that a customer has
11 telecommunications equipment that is digital equipment
12 such that they have digital sets and a PBX that switches
13 digitally and that PBX is served by digital service,
14 then that's pretty clean. That's a digital service that
15 we provide, a digital PBX trunk that's providing
16 service, and that digital trunk stays digital from the
17 back side of the PBX all the way into the switch in our
18 central office.

19 You can have a situation, however, where a
20 customer has analog services and they have analog
21 customer equipment at their premises, that they speak
22 into the analog equipment and it stays analog until it
23 hits a digital facility that sort of bridges the gap
24 between the central office and the customer premise.
25 That would be an analog service, and it's really

0198

1 indicated by what they buy from us. To the extent that
2 they want an analog service, that's what we provision to
3 them.

4 If they want that provisioned over a digital
5 service for purposes, like a DS1, for purposes of
6 simplifying, you know, the provisioning to their
7 location, you know, we will do that. And I think that's
8 all I'm trying to say is that we have some of our analog
9 services that are provisioned that way, and I can tell
10 you at least from my recollection it's not too many in
11 our total count, it's relatively small.

12 Q. Now let's take a situation of an office park
13 where Qwest has a remote terminal located on the site or
14 next to the site.

15 A. Yes.

16 Q. And in that remote terminal is an integrated
17 digital loop carrier system.

18 A. Yes.

19 Q. And the customer orders an analog PBX trunk.
20 That signal gets converted to digital at the iDLC or
21 integrated digital loop carrier on the customer's site,
22 does it not?

23 A. That's correct to the extent that the
24 pedestal is located on the customer's site, then it
25 would -- that's where it would get converted, yes. And

0199

1 we -- and, you know, we have not only situations of
2 serving an office park that way, but we may well carry
3 digital loop carrier system out to, you know, a suburban
4 type serving arrangement. And so, you know, even end
5 user or residential customers may at some point in their
6 loop link be served via digital facilities.

7 Q. Now let's take a customer who has an ISDN
8 phone, a two line phone that requires Qwest BRS service
9 to function.

10 CHAIRWOMAN SHOWALTER: What is BRS?

11 MR. LEVIN: It's their basic rate service for
12 ISDN.

13 BY MR. LEVIN:

14 Q. ISDN is a digital service that's not in your
15 petition in this proceeding; is that right?

16 A. That's correct.

17 Q. But ISDN can be set up as principally a voice
18 service?

19 A. That's my understanding, yes.

20 Q. And when it's set up as principally a voice
21 service in its basic rate service version, it offers two
22 bearer channels and one data channel; is that right?

23 A. That is correct.

24 JUDGE MACE: You referred to two?

25 MR. LEVIN: Bearer channels and one data

0200

1 channel.

2 JUDGE MACE: And the bearer channels are?

3 BY MR. LEVIN:

4 Q. The bearer channels are the voice channels,
5 and the data channel is the data control channel; is
6 that correct?

7 A. Well, that's somewhat correct. Either the
8 bearer channels could serve as a digital type channel
9 for purposes of data, but I think the application that
10 you told me is this customer decided that they wanted
11 two voice paths over their two bearer channels, and so I
12 have that in mind.

13 Q. And that might be economical for a customer,
14 because for the price, depending on the relative
15 pricing, for the price of one ISDN line, the customer
16 gets two voice channels plus a data channel?

17 A. That's correct.

18 Q. And the data channel could be used for some
19 low volume data function like E-mail?

20 A. In fact, I think that might be all that it
21 could be used for.

22 Q. By the way, the data channel is under an X25
23 data protocol, isn't it?

24 A. I don't know that for sure. I mean my
25 recollection is that that sounds like the ISDN type

0201

1 protocol. I do know though, I believe that the two --
2 that the two voice channels, the bandwidth of the data
3 channel I think is smaller than two voice channels, I'm
4 thinking 16 kilobyte, whereas the two bearer channels
5 are broadband enough to carry voice, so I think
6 they're --

7 Q. So they're basically --

8 A. -- two 64kb, yeah.

9 Q. -- two 64 kilobyte channels and a 16k data
10 channel?

11 A. That's right.

12 Q. And the 16k data channel is packetized data,
13 isn't it?

14 A. I don't know that for sure, but that sounds
15 familiar. I mean I -- you're taking me way back.

16 Q. Okay. So a customer with a phone with two
17 lines can order a service from Qwest that is a digital
18 service that provides two voice channels and one data
19 channel in the configuration provided by Qwest?

20 A. Yes.

21 Q. And that service is not in your petition
22 because it's digital?

23 A. That's correct.

24 Q. And the reason it's digital is because Qwest
25 delivers it in a digital format?

0202

1 A. Yes.

2 Q. And the way that the conversion from analog
3 voice to digital occurs is that the ISDN phone that the
4 customer owns does the conversion?

5 A. That's correct.

6 Q. Now that service is something that might be
7 attractive to some small businesses who need say two
8 business lines and a data channel?

9 A. It seems like it would be designed for them.

10 Q. Now I think I understood you to say before
11 that the reason why Qwest hadn't done much with the
12 Commission's prior decision in the 883 docket was
13 because it was too confusing to customers over which
14 type of facility their service was provisioned. Do I
15 have that right?

16 A. Yes.

17 Q. Now if I have a digital PBX and I have a wide
18 area network -- do you know what a wide area network is?

19 A. I'm basically familiar with it.

20 Q. Okay. A wide area network might be used to
21 provide voice and data connections between, for a large
22 corporation, for example, between remote locations of
23 the corporation; is that right?

24 A. Yes.

25 Q. And it could include both voice and data?

0203

1 A. Yes.

2 Q. Now the PBX can be at the heart of that wide
3 area network, the main corporate PBX; is that right?

4 A. I think it could serve certain switching
5 functions. I think that point to point data still needs
6 to go point to point, so I mean that's the nice part
7 about a LAN is that you can have part of it switched and
8 part of it point to point.

9 Q. PBX is basically a small switch?

10 A. Yes.

11 Q. And that corporation can link together local
12 area networks or LANS using a wide area network in its
13 PBX with a router; is that right?

14 A. You may be getting a little bit beyond my
15 technical ability here, but.

16 Q. Okay. Now because the PBX has to be
17 flexible, a digital PBX can use analog trunks, can't it?

18 A. I don't know that.

19 Q. Assuming that's the case, if you've got a
20 customer who's got a digital PBX that's served by --
21 that has services coming in that are both analog and
22 digital, there might be some confusion there for
23 customers if some of those are subject to
24 reclassification as competitive and others are not; is
25 that right?

0204

1 A. I don't think so. I mean they would order
2 separate services whether they -- if they wanted digital
3 and analog service, and I think they certainly would
4 understand what they're ordering. I mean those are
5 priced separately today, they're, you know, they're -- I
6 mean today some of those services are price listed in
7 some exchanges and not price listed in others, so I mean
8 that too is confusing.

9 Q. Now you mentioned in response to Ms. Singer
10 Nelson's questions that hotel screening trunks were
11 different than message trunks because hotel screening
12 trunks were toll trunks?

13 A. Yes.

14 Q. And toll trunks are not part of your petition
15 here?

16 A. That's correct.

17 Q. Because this is a local service docket?

18 A. That's right.

19 Q. And so functional substitutes for toll trunks
20 also wouldn't be at issue here as substitutes for
21 Qwest's local services, would they?

22 A. Well, potentially, you know, I mean you could
23 take this to its absurd and say, you know, any exchange
24 line might be a toll trunk. I mean you can originate
25 toll traffic on virtually any type of exchange line.

0205

1 These are very specific trunks, my understanding, they
2 go directly to interexchange carriers, and so they
3 differ from standard trunks that go through our exchange
4 and then draw a dial tone.

5 Q. Let's go back to that wide area network.
6 Let's assume that the corporation has purchased what
7 used to be called tie lines or special access services
8 to tie together its remote locations. Often
9 corporations do that as a substitute for toll service,
10 don't they?

11 A. I don't believe that they do tie trunks as a
12 substitute for toll. Tie trunks are usually shorter
13 distance, and they're between locations within an
14 existing exchange. I mean they may well order private
15 line services, which would include channel terms,
16 interoffice transport, but, you know, they better have a
17 fairly high degree of traffic to go between two
18 locations to make that pay.

19 Q. Right, and a corporate telecom manager might
20 look at two locations and say, our toll bills are
21 getting awfully big, let's do a comparison and see what
22 we can do with private line?

23 A. They might.

24 Q. Because it might be cheaper?

25 A. Right.

0206

1 Q. And in that case, that would be a substitute,
2 if that were the decision, that would be a substitute
3 for the toll service?

4 A. In that particular isolated example, yes.
5 Toll service though would still provide them with their
6 needs ubiquitously. I mean that's the nice part about
7 toll service. So I guess on that one point to point --

8 Q. Well, I'm trying to compare it to this hotel
9 screening trunk.

10 A. Right.

11 Q. You're not saying that the private line
12 service that's used to avoid toll is more relevant to
13 this docket than the hotel screening trunks, are you?

14 A. I guess I'm saying that I think they're
15 probably similar. The hotel screening trunk acts as a
16 toll aggregation facility that allows the hotel PBX to
17 route traffic officially to an interexchange carrier the
18 same way a switch for a large enterprise business might
19 aggregate traffic and decide intelligently whether it
20 needs to travel over private line between two locations
21 of high concentration or go over the ordinary toll
22 network.

23 Q. So if there are other services which Qwest
24 has put forward as substitutes for local service which
25 are being used by companies as primarily substitutes for

0207

1 toll, we should consider those as substitutes for toll
2 and not as substitutes for local service; is that right?

3 A. I guess I -- please ask that question again.

4 Q. Yes. I'm saying if there are other
5 substitutable services according to Qwest for local
6 service, which are in fact being used by companies
7 primarily as substitutes for toll service, then we
8 should look at those as we're looking at the hotel
9 screening trunks, as being really toll service, not
10 local?

11 A. Well, I think that was the purpose that Qwest
12 segmented that piece out in this particular competitive
13 classification, because it really didn't fit with the
14 other services that typically route local traffic, draw
15 dial tone. They may originate toll, as I said a few
16 minutes ago, however, their primary purpose is
17 essentially local exchange.

18 Q. So your answer is yes?

19 A. I'm not sure I understood your question. I
20 guess I'm trying to answer it through discussing it a
21 little bit. But if there is -- if the only purpose of
22 another facility is to aggregate toll like an 800 line
23 or a WATTS line, then it's not included. Qwest, you
24 know, that -- to me that was separate enough that we did
25 not include it in this filing.

0208

1 Q. And other services from other providers which
2 do the same thing also shouldn't be included in the
3 comparison to local, should they?

4 MS. ANDERL: I'm going to object, Your Honor,
5 because the question as it's been phrased for the past
6 three or four times is very vague and confusing to me.
7 Mr. Levin keeps referencing other services, and now he
8 has added from other providers. It's unclear to me what
9 services he's asking about, and I believe the question
10 is objectionable on that basis.

11 JUDGE MACE: Mr. Levin.

12 MR. LEVIN: I will just rephrase it.

13 JUDGE MACE: Thank you.

14 BY MR. LEVIN:

15 Q. Can Qwest private line facilities be used to
16 transmit voice over IP, voice over Internet protocol?

17 A. Yes, I think they could.

18 Q. And you could make up a corporate wide area
19 network using voice over Internet protocol that would
20 run on Qwest private lines?

21 A. I guess I don't understand what you mean. Do
22 you mean to serve Qwest employees or to serve our
23 current customer base?

24 Q. Corporate customer buys a voice over IP PBX
25 and needs to tie together remote locations using voice

0209

1 over IP, those can run over Qwest private line
2 facilities, can't they?

3 A. As the last mile loop between --

4 Q. As a private line between the corporate
5 locations.

6 A. In the ISP or all we're doing is tying
7 together like a local area network or a wide area
8 network?

9 Q. I'm talking about somebody who is using a
10 voice over IP PBX and tying it together with remote
11 locations that use voice over IP phones.

12 A. I guess I'm not familiar with a voice over IP
13 PBX. I understand the concept of voice over IP in using
14 the Internet for telephony, but I don't, you know, you
15 might ask one of our other witnesses that testified to
16 voice over IP. I don't have that --

17 Q. Which witness would that be, Mr. Teitzel?

18 A. I believe Mr. Teitzel does address that.

19 Q. Okay, thank you.

20 On looking at your Exhibit IT, or excuse me,
21 1T, page 9, lines 19 to 20, you say they can build their
22 own facilities, you're talking about competitors, how
23 they can compete. Do you see where I mean?

24 A. Yeah, I'm just trying to get a reference
25 here.

0210

1 (Reading.)

2 Okay.

3 Q. Is what you're saying there that because
4 competitors could at least in theory build their own
5 facilities on any exchange, that means that they have
6 services in every exchange?

7 A. No, I think I'm just listing that as one of
8 the capabilities of CLECs to provide equivalent or
9 substitutable services to Qwest retail services. And as
10 I think I discussed earlier, at least in this case,
11 Qwest put forward evidence of wholesale services that we
12 provide to competitors. The one missing piece there is
13 CLEC constructed facilities or what has been referred to
14 as CLEC owned loops, and I think that that data comes in
15 in Staff's data request. So that's -- I mean that's
16 just another alternative.

17 Q. So when you say that they can build their own
18 facilities, you're not suggesting that the Commission
19 could consider it effective competition that competitors
20 could build facilities anywhere they wanted?

21 A. No.

22 Q. Now page 8 of Exhibit 1, you have some
23 discussion about interconnection agreements.
24 Interconnection agreements themselves are agreements for
25 prices and terms of purchasing services and

0211

1 interconnecting, are they not?

2 A. Yes, they are.

3 Q. And orders for service are placed by the CLEC
4 pursuant to the interconnection agreement, but the
5 interconnection agreement itself is not a service order?

6 A. That's correct.

7 Q. So you could have an interconnection
8 agreement in place for its whole term with no services
9 being ordered?

10 A. Theoretically.

11 Q. So you can't tell from the number of
12 interconnection agreements how many CLECs are actually
13 purchasing service from Qwest for resale to their
14 customers?

15 A. That's correct, and that's why we addressed
16 not only the number of interconnection agreements, we
17 also addressed the number of CLECs that were actually
18 purchasing unbundled network elements, UNE-P, and
19 unbundled loop or resale of unbundled loop.

20 Q. You can't tell from an interconnection
21 agreement where competitors who are offering a service
22 have their own facilities or are offering a service, can
23 you?

24 A. No.

25 Q. Now you have a discussion of the triennial

0212

1 review order process in your testimony, and I think it's
2 at this is in Exhibit 1T at page 11, line 15 through 12
3 line 6.

4 A. Yes.

5 Q. Do you have that?

6 A. Yeah.

7 Q. Now that discussion is premised on the
8 Commission having the opportunity to engage in that
9 review of the switching UNE to see if it's still
10 something that should be made available, whether CLECs
11 would be impaired if they didn't have it; isn't that
12 right?

13 A. I believe -- could you give me a testimony
14 cite again?

15 Q. Yeah, it's page, the question beginning at
16 page 11, line 15, and it continues through your answer
17 on page 12, line 6.

18 A. Yes, I believe the response to this question
19 did envision that this Commission would be involved in
20 that process.

21 Q. And you want the Commission to be assured
22 that that will happen and they will have that
23 opportunity?

24 A. Do I want them to be assured of that?

25 Q. Yeah, that's the purpose of your mentioning

0213

1 that in this testimony?

2 A. Well, I think, no, the purpose of me
3 mentioning it is that that's what the FCC press release,
4 at this point in time the order had not been released,
5 but at this point in time that's what looked like would
6 be the process for review. And that's all that is is my
7 articulation of what the process for review would be.
8 It doesn't state what I would want personally.

9 Q. But your conclusion is on page 12, line 4:
10 If the Commission decides that
11 impairment would not occur if a product
12 is discontinued, such a finding proves
13 that the product is not required to
14 sustain competition.

15 That's your testimony?

16 A. Yes, it is my testimony.

17 Q. Is Qwest engaged in any legal action in any
18 other form that you're aware of which, if successful,
19 would keep this Commission from engaging in that review?

20 A. To my knowledge we have filed I believe a
21 writ amandamus in the DC Circuit Court that requests
22 that the FCC follow the ruling that it received from
23 that court and the Supreme Court in carrying out its own
24 impairment analysis, yes.

25 Q. And you have also filed with the FCC and

0214

1 asked the FCC to stop its own rule from going into
2 effect while this mandamus and appeal are pending; is
3 that right?

4 A. I believe that's correct, yes.

5 Q. And one of the things you said there in your
6 petition is that, competitors won't be harmed by the
7 loss of UNE-P because they can use total service resale;
8 are you aware of that?

9 A. No, I'm not.

10 Q. Okay, I will take that up with Mr. Shooshan.

11 On page 15 of 1T where you talk about the
12 provisioning at lines 13 to 18 where the conversion to
13 CLEC facilities, that assumes, of course, that the CLEC
14 has a switch, does it not?

15 CLECs purchasing an unbundled loop, as you
16 called it a naked loop, doesn't do anything by itself?

17 A. I guess I have a hard time, it doesn't really
18 assume anything. If the CLEC doesn't have a switch, it
19 probably doesn't go anywhere.

20 Q. Right.

21 A. I mean we sell the service, the CLEC needs to
22 provision from their point of interconnection at the
23 collocation back to their facilities. Whatever they
24 have, they have.

25 Q. The assumption is though that the way they're

0215

1 going to provide service there --

2 A. Yes.

3 Q. -- is if they're going to use that loop to
4 provide service to an end user customer, it's going to
5 be because they have the other facilities that are
6 necessary to provide service?

7 A. Yes, unbundled loops typically anticipate
8 that the CLEC is provisioning their switching.

9 Q. And that normally includes a switch for voice
10 service?

11 A. Yes.

12 Q. On page 16, lines 12 to 21 of Exhibit 1T, you
13 have some discussion of collocation, and others have
14 touched on this before, so I don't want to spend a lot
15 of time on it, but there were a couple of points I
16 wanted to clarify. When a CLEC puts collocated
17 equipment into a Qwest collocation space, typically that
18 collocated equipment is used to provide service through
19 UNE loops that the CLEC buys in that exchange; is that
20 right?

21 A. Typically, yes.

22 Q. You don't mean to say by your testimony that
23 you have studied and concluded that there are enough
24 unbundled loop customers throughout the state to justify
25 economically CLECs putting in collocated facilities in

0216

1 every exchange; that's not what you're saying?

2 A. No.

3 Q. And the numbers that you provided for CLEC
4 purchases of UNE loops, that's for all CLECs?

5 In other words, you've got a combined number
6 for the CLECs, it's not for individual CLECs, it's all
7 the CLECs?

8 A. I guess I don't understand that question.

9 Q. When you're comparing, when you do your
10 market share analysis and you're looking at -- you give
11 us UNE loop numbers for how many lines are being served
12 by UNE loops, you have aggregated for purposes of market
13 share all of the CLEC lines provided by UNE loops?

14 A. Yeah, I guess I could agree with that. I
15 don't understand what we would do that would be
16 different than that. I mean there are other UNE loops
17 out there that we did not include in our study for the
18 purposes that I discussed in my testimony orally today
19 and also written, so I -- we're not talking about that,
20 are we?

21 Q. No.

22 A. Okay.

23 Q. But for an individual CLEC, the decision
24 whether to justify putting in a collocation is going to
25 depend on how many UNE loop customers it anticipates

0217

1 picking up in a particular exchange; isn't that right?

2 A. I would think that that would be an important
3 consideration.

4 Q. Because there's a big expense involved in
5 setting up a collocation?

6 A. Yes.

7 Q. Okay. I would like to turn to the exhibits
8 that we have identified in connection with your
9 testimony, and I believe those are labeled Exhibits 15
10 through 18. I'm asking you about 15 because I realize
11 we phrased this quite poorly, and so I don't know what
12 your answer means.

13 A. Okay.

14 Q. Because we asked you two questions that were
15 inconsistent. If you answered no to one, you probably
16 answered yes to the other one.

17 A. I think that's what happened.

18 Q. So I'm trying to figure out which one you
19 said no to.

20 A. Fair enough.

21 Q. Okay, do you want to read the question.
22 Perhaps I should read it, page 8, table B, column B of
23 the Qwest petition in this proceeding, an asterisk --

24 CHAIRWOMAN SHOWALTER: Slow down.

25 JUDGE MACE: Slow down.

0218

1 MR. LEVIN: I'm sorry.

2 BY MR. LEVIN:

3 Q. (Reading.)

4 An asterisk notation states that the
5 Qwest business access line count does
6 not include digital services. In this
7 context, does the term digital services
8 include "business services provisioned
9 over DS1 or greater"? See footnote 1 on
10 page 1 of the petition. That is, do the
11 business access line counts for Qwest
12 exclude business access lines provided
13 over DS1 or greater services?

14 And really what it should have said is
15 included I think. In any event, which question were you
16 answering no to when you said no?

17 A. The last one.

18 Q. Okay. So you included the business access
19 counts for business access lines provided over DS1 or
20 greater services?

21 A. That's correct, and I believe that was Judge
22 Mace's question at the beginning of this round of cross.

23 Q. But you included only those that you
24 identified as being analog services and not digital?

25 A. That's correct.

0219

1 Q. Okay, we'll skip 16 and move to 17. And
2 again, this was the same question I think you were --
3 that you just mentioned that Judge Mace had asked
4 whether the services that were included in the petition
5 include services over DS1 or greater facilities. The
6 answer is yes to the extent they're identified by Qwest
7 as analog; is that right?

8 A. Actually, I think Judge Mace's question was a
9 little bit different. We talked about the services that
10 we were granted competitive classification for in a
11 prior docket, and those were provided over DS1. I think
12 this asked prospectively of the services we filed today,
13 would we provision those over DS1 if requested by a
14 customer. Either could they be or will they be in the
15 future, and the answer to that is yes. If a customer
16 requested that we provision analog services over a DS1,
17 we would grant that request.

18 I might add though that it's kind of an
19 expensive proposition, and it's not done very often,
20 because we charge both the DS1 rate, and we also charge
21 the analog rate, so it can be expensive and thus is
22 probably not done very often.

23 Q. Then in Exhibit 18, we said:
24 If your answer to the preceding question
25 is affirmative or qualified, please

0220

1 specify which services will or may be
2 provided over DS1 or greater facilities.

3 And the services you identified here were
4 basic business exchange, Centrex, and PBX.

5 A. That's correct.

6 Q. And by those, you meant analog business
7 exchange, by Qwest definition, analog Centrex, and
8 analog PBX?

9 A. That's correct.

10 Q. Now I would like to turn to your rebuttal
11 testimony, and that's Exhibit 7RT. Please turn to page
12 13, and look at lines, the sentence that runs from lines
13 18 to 19. It says:

14 Because the services can effectively
15 compete with one another, they should be
16 considered in unison.

17 So it's your position that services that can
18 effectively compete with one another should be
19 considered in unison?

20 A. Well, for purposes of this, of our filing
21 here for analog services, these are analog services that
22 can compete with one another, and yes, we decided that
23 they should be considered in unison. And I think I
24 discussed in my testimony some other reasons, you know,
25 why that should be, because I think that they compete

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1 for each other both from a CLEC and Qwest perspective.

2 Q. Now that would mean then that if the CLEC
3 provides digital services that compete with a Qwest
4 analog service, those should be considered as well?

5 A. No, because we only filed for competitive
6 classification of our analog services, and I think we
7 have already walked through how we distinguished between
8 the two and that customers that demand analog services
9 are the relevant market here, and so that's the market
10 segment that we're addressing.

11 Q. But when it comes to wireless, you didn't
12 differentiate analog providers of wireless from digital
13 providers of wireless, they were both?

14 A. We didn't provide any evidence of any
15 wireless. We just said that wireless can serve as
16 another form of competition for these analog services.
17 So obviously it would have to be the analog portion of
18 wireless that we're talking about, not the digital
19 portion.

20 Q. But there's very little analog wireless left,
21 isn't there?

22 A. I don't know that.

23 Q. And voice over IP you have touted as another
24 alternative. Voice over IP by definition is a digital
25 service, isn't it, Internet protocol is digital?

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1 A. That's correct.

2 Q. And you say that the Commission should look
3 at voice over IP as an alternative.

4 A. Yes.

5 Q. Even though it's digital?

6 A. Yes.

7 Q. Why the inconsistency?

8 A. I think what we're saying is that there are
9 other -- there are other modes of competition that
10 compete for these analog services, and a customer can
11 use the wireless, can use voice over IP, and can use the
12 CLEC offerings, the CLEC analog offerings.

13 Q. So if it's a CLEC service, only consider
14 analog, but if it's not a CLEC service, you can consider
15 digital?

16 A. What I'm saying is we did not provide
17 digital, because we did not file for competitive
18 classification of our own digital services. Had we
19 included the CLEC digital counts, the market share
20 numbers for Qwest would have been significantly lower,
21 and the CLEC market share numbers would have been
22 significantly higher. And so I mean if we cheated
23 anyone in this case, we cheated ourselves on not
24 bringing more CLEC digital data in. We felt though that
25 to be fair to the CLEC side and the Qwest side that we

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1 needed to keep the services straight and consistent with
2 what we were filing competitive classification for,
3 which were our analog services. So we meticulously went
4 about trying to segment the CLEC inventory of digital
5 services that they would purchase on a wholesale basis
6 from the analog, and that's what we presented.

7 We also presented evidence of other forms of
8 intermodal competition that could potentially compete
9 with Qwest services. I'm not going to sit here and tell
10 you today that certainly that CLEC services also
11 compete, the CLECs' digital services also compete with
12 our analog, we didn't include that in this filing.
13 Maybe it's shame on us because we could have even had
14 better market share numbers.

15 Q. But you didn't provide any market share
16 numbers on the digital services, did you?

17 A. No, we did not.

18 Q. So it's just your say so that the market
19 shares would be more tilted towards Qwest, we don't have
20 anything to look at that would tell us that you're
21 right?

22 A. That's correct, I mean other than what's been
23 provided in discovery in this docket. Because we didn't
24 file for that. I mean when we make that filing, you
25 know, you can certainly come in and you can check that

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1 out, but right now we filed for analog services.

2 Q. Can you point me to any evidence in the
3 record of this case that would show what you just
4 stated, which is, as I understand it, that if CLEC
5 digital services and Qwest digital services were
6 included, that the CLECs would have a greater market
7 share than they do in your analysis?

8 A. That's not what I stated.

9 Q. What did you state?

10 A. I stated -- you said, you didn't include CLEC
11 digital service services in your analysis, and I said
12 that's correct, that's because we didn't include or we
13 were filing only for analog, and we wanted to make sure
14 that we were careful on both sides of the ledger to
15 compare apples and apples. I said if we had included
16 the CLEC data as evidence of competition that could
17 compete with analog, and I'm not disagreeing that it
18 can, I think it can, then the market share numbers would
19 have even been greater. What you're saying is, okay,
20 now bring in the Qwest data, digital data as well, but
21 that's the first time you raised it is in your last
22 question, so.

23 Q. I see, I misunderstood you. So what you're
24 saying is, if we looked at only the CLEC digital data
25 and looked at -- excuse me. If we looked at the CLEC

0225

1 digital and analog data and compared it with Qwest's
2 analog data, the market share of the CLECs would
3 increase?

4 A. That's correct, but that would be -- I mean
5 that's not what we did, because that wouldn't be fair, a
6 fair comparison.

7 Q. But do you know that if we brought in Qwest's
8 digital services as well that the CLEC market share
9 would increase if both the CLEC digital and the Qwest
10 digital were in there?

11 A. I don't know that yet, and that's why we
12 didn't file it. I think I explained at the beginning
13 why we didn't file digital services is because we were
14 still analyzing them, that Qwest services were busted
15 down to voice grade equivalents and we were still trying
16 to determine on a customer location by location basis
17 how that matched up against the CLEC data, which is
18 significantly found in DS1 circuits. And I think when
19 we can conclude that analysis, we will probably file for
20 digital services, because I think we will probably have
21 a fairly compelling tale.

22 I don't have all the data put together at
23 this time, and you won't see it put together in a
24 fashion that you can make a meaningful comparison, I
25 don't think, and this is the answer to one of your

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1 previous questions, I don't think you will see it
2 anywhere in this record. You might see bits and pieces
3 of data on digital services that might have been asked
4 for in discovery, I can't remember, but I think that's
5 all you will see at this point in time.

6 Q. But you have included in your petition
7 Qwest's Centrex Prime and Centrex 21 products; is that
8 right?

9 A. That's right.

10 Q. And are all the offerings within those
11 Centrex Prime and Centrex 21 part of your petition here?

12 A. I would have to look at -- I would have to
13 look at the detailed numbers, but I do know that Centrex
14 Prime and Centrex 21 are included. My understanding is
15 that, well, that they are included.

16 Q. Okay. Both Centrex Prime and Centrex 21
17 includes ISDN BRS and PRS service, are those included?

18 A. I would have to look at the detail.

19 MR. LEVIN: Thank you, those are all my
20 questions.

21 At this time I would move the admission of I
22 think we had 15 through 18, but I think we didn't talk
23 about one of them.

24 JUDGE MACE: 16 is the one you --

25 MR. LEVIN: So it would be 15, 17, and 18.

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1 MS. ANDERL: No objection.

2 JUDGE MACE: Hearing no objection, I will
3 admit those exhibits.

4 THE WITNESS: I guess I would add one thing,
5 to the extent that we did include digital services for
6 our own, it would only hurt our case.

7 JUDGE MACE: Well, I just want to say that
8 typically there needs to be a question out there for you
9 to answer.

10 THE WITNESS: I apologize.

11 JUDGE MACE: Our next cross-examiner is
12 Public Counsel.

13

14 C R O S S - E X A M I N A T I O N

15 BY MR. FFITCH:

16 Q. Good afternoon, Mr. Reynolds.

17 A. Good afternoon.

18 Q. We have met, I'm Simon ffitch with the Office
19 of Public Counsel.

20 MR. FFITCH: Before we get started, Your
21 Honor, I believe I have reached an agreement with
22 counsel for Qwest to stipulate into the record some of
23 our cross exhibits, about which I won't have any
24 questions, and those are Exhibit Numbers 20 through 23.
25 That's a total of four exhibits. So I would like to

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1 offer --

2 JUDGE MACE: Is there any objection otherwise
3 to the admission of those exhibits?

4 MS. ANDERL: No.

5 JUDGE MACE: Then I will admit the exhibits.

6 MR. FFITCH: Thank you, Your Honor. I would
7 also like to note that, just for everyone's information,
8 two of our cross exhibits have been revised. The reason
9 for the revision is that Qwest revised its response to
10 our data requests after our submission of the initial
11 exhibits, and so we have now substituted a revised
12 Exhibit 20, one of those which was just stipulated in,
13 and also a revised Exhibit 25 just so that we're
14 consistent with the Qwest revisions.

15 JUDGE MACE: So that we can check to make
16 sure we have those revised copies, do the exhibits say
17 revised on them?

18 MR. FFITCH: Your Honor, my understanding is
19 the Bench was provided with the revisions by Qwest, so I
20 don't know the answer for the Bench.

21 JUDGE MACE: Yes, thank you, then we do have
22 those exhibits in all the books up here.

23 MR. FFITCH: Okay. And I did pass out to
24 counsel this morning those two exhibits in revised form
25 with the -- I did write revised exhibit number on the

0229

1 upper right-hand corner in longhand, so you should have
2 that.

3 BY MR. FFITCH:

4 Q. So first of all, Mr. Reynolds, I'm going to
5 ask you to turn to what's been marked as Exhibit 19, and
6 that is Qwest's response to Public Counsel Data Request
7 Number 6 and the supplemental responses, correct?

8 A. Yes.

9 Q. And the request starts out by noting that in
10 your direct testimony you stated that Qwest seeks
11 regulatory flexibility to compete on an equal footing
12 with other providers. I think that's been referenced
13 already a couple of times by prior counsel. Is that a
14 correct reference to your testimony?

15 A. Yes.

16 Q. And so in this exhibit, Part A of the data
17 request asks you to state, I'm paraphrasing, all the
18 instances where Qwest has lowered rates for any services
19 for which you are seeking competitive classification,
20 right?

21 A. Yes.

22 Q. And in response to that, you have provided a
23 chart which starts at page 3, goes on for a few pages,
24 this is non-confidential, and this lays out the specific
25 instances where Qwest has made requests to the

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1 Commission for reducing rates for any service covered by
2 the petition, right?

3 A. That's correct.

4 Q. Now I just want some help first of all in
5 making sure I'm reading this correctly, then I will ask
6 a couple of other questions about it. But let's just
7 look at the first line, which is Advice Number 3008T,
8 and it's a call forwarding service. And could you
9 explain what the dollar values shown there mean? For
10 example, are they recurring or nonrecurring rates, that
11 type of thing, what do those numbers, those dollar
12 numbers there represent?

13 A. I believe it varies depending on the actual
14 filing. The first one appears to be a recurring rate.
15 It appears to be a rate reduction from a \$3.55 recurring
16 rate down to a \$2.35 rate. It lists the percentage of
17 the reduction and then whether the filing was mandatory
18 or voluntary, I believe which was asked for in the data
19 request.

20 Q. Right.

21 A. And the ones -- you will see some subsequent
22 line items where it says NRC waiver.

23 Q. Right.

24 A. I think when you see NRC, that would be a
25 nonrecurring charge, and the dollar amount would be the

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1 amount that was waived associated with that one time,
2 you know, typically is set up nonrecurring charge.

3 Q. All right. Sorry, continue if you want. I
4 can ask a couple more questions if you're --

5 A. The other thing I would say is that if you --
6 if you go down the first page a third from the bottom
7 you will see MRC waiver, that typically stands for a
8 monthly recurring charge, which means that we would
9 waive one month's recurring charge as a part of a
10 promotion.

11 Q. Okay, thank you. And would you accept that
12 generally if you look through this exhibit the vast
13 majority of these reductions are waivers of nonrecurring
14 charges rather than reductions of a recurring charge for
15 a basic service?

16 A. Yeah, I think that that's fair.

17 Q. Now moving on to Part B of the data request,
18 Part B asks if Qwest has ever been denied a request to
19 lower rates by the WUTC; is that right?

20 A. Yes.

21 Q. And you prepared Attachment B which starts at
22 page 6 to list the treatment of all of the -- I'm sorry,
23 let me make sure I'm reading the right place here.
24 Well, first of all, your answer on page 2 of the exhibit
25 indicates that there is no instance where the WUTC has

0232

1 denied a request for rate reductions; is that correct?

2 A. That is correct. I believe that has to do
3 with Attachment A at this time.

4 Q. I believe you're correct, and I think I'm
5 going to get to Attachment B in a minute here. Part C
6 of our data request asks you to describe regulatory lag,
7 and your response there was an objection and an
8 indication that you have not testified regarding
9 regulatory lag, correct?

10 A. That is correct.

11 Q. And then the response goes on to say that you
12 are required to provide ten days notice to the
13 Commission when you make changes reducing rates or
14 filing promotions for either tariffed or price list
15 service offerings, correct?

16 A. That is correct.

17 Q. So in the case of those kinds of changes,
18 rate reductions or promotions, the regulatory treatment
19 for a tariffed or a pricelist service is the same,
20 right?

21 A. I believe yes, that is correct.

22 Q. Now if we could go to Part D of our data
23 request, we asked you to identify all the proposals
24 where Qwest packaged services since 1999 and to provide
25 the period of time that the WUTC took to review this and

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1 whether the proposal was reviewed, excuse me, denied or
2 approved. Is that a fair paraphrase of the request?

3 A. Yes.

4 Q. So now we finally get to look at Attachment
5 B, which starts on page 6, and in Attachment B you have
6 provided all of those packages. I think this is the
7 same thing as a bundle, right, bundled services?

8 A. Yes.

9 Q. Another way to describe that, thank you.
10 First of all, this goes on through page 10, none of
11 those requests were denied, were they?

12 A. No, they were not.

13 Q. And with a few exceptions, each of those
14 requests was approved in less than 30 days from the time
15 of filing, approved by the effective date requested by
16 the company; is that correct?

17 A. I think that is correct.

18 Q. And the exceptions that I found, for example,
19 on page 9, first bundled service shown there appears to
20 have been approved in 10 days; is that correct?

21 A. Yes.

22 Q. Perhaps slightly more, it does appear that
23 the open meeting date was 12 days after the filing, but
24 certainly less than 30 days. And again skipping to,
25 skipping the next entry and going to the entry after

0234

1 that, there's another approval there that occurred in
2 the 10 to 12 day time frame; is that correct?

3 A. Yes.

4 Q. Moving to Part E of the data request, the
5 company was asked to explain fully the impediments that
6 Qwest confronts in responding to competitors in its
7 provision of services, and Qwest did object to that
8 request as overly broad, but then provided an answer on
9 page 2 of this exhibit essentially saying that it's
10 unable to provide information on every impediment,
11 correct?

12 A. I think --

13 Q. Then you go on, but that's sort of the first
14 point in keeping with your thought that it's overly
15 broad, you think there are too many different
16 impediments to list, I assume that's the sense of this
17 answer, correct?

18 A. Yeah, but I think we probably address, you
19 know, the main issue after the objection.

20 Q. And that appears in the following sentence or
21 two where you indicate that Qwest needs the ability to
22 respond to variable market conditions, because marketing
23 efforts by competitors do not necessarily occur at the
24 same intensity in all locales statewide at precisely the
25 same time, correct?

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1 A. Yes.

2 Q. But you also cross reference back to answer
3 C, which relates to the ten days notice required before
4 a price changes, correct?

5 A. Yes.

6 Q. Now finally we have a question F, that's on
7 page 1 of the exhibit, we ask, in this petition are you
8 seeking authority to package services in Attachment A
9 any differently from how you presently provide them, and
10 the answer right below that is no, correct?

11 A. I think, you know, it's more than no. It
12 says that we're essentially seeking the same regulatory
13 flexibility that competitors enjoy with respect to all
14 basic business services, including packaged services.

15 Q. All right.

16 JUDGE MACE: Mr. ffitch, are you going to
17 move on to another exhibit at this point? I wanted to
18 ask a couple of clarifying questions about this exhibit.

19 MR. FFITCH: That would be fine, this would
20 be a good time, Your Honor.

21

22 E X A M I N A T I O N

23 BY JUDGE MACE:

24 Q. With regard to Attachment A of Exhibit 19,
25 you pointed out a dollar value of reduction in your

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1 second column after the text. Is that the amount of the
2 reduction, or is that the new rate?

3 A. I believe that that's the reduction, so it's
4 -- it was a \$2.35 reduction off of \$3.55.

5 Q. Okay.

6 A. So that, just looking at the percent of the
7 reduction tells me, you know, it's a 66%, and I think
8 that if you did the math you would find \$2.35 by 66%.

9 Q. Then the other question is, are any of the
10 rate reductions shown on this exhibit not related to
11 promotional offerings, for example, offerings that
12 expire in a 60 or a 90 day period?

13 A. I believe that maybe that first one is, and
14 quite possibly if you go down, if it doesn't say a
15 waiver or a rebate or a monthly recurring charge waiver
16 and it gives a percent reduction, I think that that
17 tends to be an indication that that's a permanent price
18 reduction. And as you can see, there are -- it looks
19 like there's only about four of those on the first page,
20 the first item, looks like the fourth item, the sixth
21 item, and it looks like the ninth item.

22 JUDGE MACE: Thank you.

23 MR. FFITCH: Thank you, Your Honor, that was
24 a good clarification, a useful clarification. My
25 consultant had actually handed me up the same question,

0237

1 so I can move along to my next question.

2

3 C R O S S - E X A M I N A T I O N

4 BY MR. FFITCH:

5 Q. On page 11 of your rebuttal testimony,
6 Mr. Reynolds, that's Exhibit 7, and beginning at line 7
7 you state that first RCW 80.36.330 does not require
8 Qwest to prove its need for competitive classification,
9 correct?

10 A. That is correct.

11 Q. So is it your position that even if Qwest
12 fails to show in this proceeding that lack of regulatory
13 flexibility is a problem that the petition should still
14 be granted?

15 A. I think by the statutory requirements in the
16 statute that the Commission has all the authority to
17 grant a petition for competitive classification based on
18 the facts presented it. And one of the, you know, I
19 don't believe that it requires a showing of need. I
20 think that that's important, and I think that even
21 though that initial sentence starts the way it does, I
22 believe Qwest provides a lot of evidence and information
23 on our need throughout our testimony.

24 CHAIRWOMAN SHOWALTER: Let me interrupt a
25 minute, there's a phone ringing, can somebody find out

0238

1 whose it is and stop it.

2 MR. FFITCH: I apologize.

3 THE WITNESS: That sounds like a digital
4 signal.

5 CHAIRWOMAN SHOWALTER: So I actually didn't
6 hear your answer because I was distracted by the noise,
7 so if you could just very briefly summarize your answer.

8 THE WITNESS: My answer was that I believe
9 that just by a pure reading of the statute that the
10 Commission could make a decision just based on evidence
11 of effective competition alone. I don't think it
12 requires Qwest to come forward with its need. I think
13 need is important, you know, we pointed out that we
14 didn't think that that was part of the statutory
15 requirement, but I think that Qwest in its testimony has
16 provided what our need is and why we believe that we
17 need competitive classification, so nonetheless -- that
18 was the answer.

19 BY MR. FFITCH:

20 Q. Has Qwest, Mr. Reynolds, applied for banded
21 rate tariffs for any of the services that are subject to
22 this petition?

23 A. I don't know the answer to that. I don't
24 believe we have, but I honestly don't know.

25 Q. Would you be able to provide the response to

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1 that in answer to a record requisition?

2 A. I believe we would, yes.

3 JUDGE MACE: That will be Record Requisition
4 Number 3, and would you phrase the question for us.

5 MR. FFITCH: The request would be for Qwest
6 to provide any record of a request for banded rate
7 tariffs for any of the services which are subject to
8 this proceeding, and that request should include the
9 rates, the ceiling and the floor rates requested, and
10 the treatment by the Commission, whether it was approved
11 or denied.

12 JUDGE MACE: Thank you.

13 MS. ANDERL: Your Honor, may I seek a
14 clarification, for what time period, ever or the past
15 five years?

16 JUDGE MACE: Mr. ffitch.

17 MR. FFITCH: I'm going to say since 1999
18 since that's a time frame that's been used for a lot of
19 the data here.

20 BY MR. FFITCH:

21 Q. Mr. Reynolds, does Qwest's petition for
22 competitive classification in this case request a waiver
23 of the statutory bar against rate discrimination and
24 unreasonable preference?

25 A. We did not explicitly request it in our

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1 petition. I think that we -- I think that we would
2 request it, so I will orally request it.

3 Q. That request was not permitted in the last
4 competitive classification case, Docket UT-000883, was
5 it?

6 A. My understanding was that it was granted
7 initially but later on reconsideration it was withdrawn.

8 Q. That's correct. So that at this time Qwest
9 does not have a waiver of the bar against rate
10 discrimination for the services approved in that docket;
11 is that correct?

12 A. That is correct.

13 MR. FFITCH: And I guess since Mr. Reynolds
14 has requested the waiver, Your Honor, orally in the
15 proceeding, we will certainly indicate our objection to
16 the grant of that request and will ask the Bench to
17 provide an opportunity for that to be addressed at
18 greater length by the parties to the case.

19 Your Honor, I'm now going to ask a number of
20 questions about Exhibit 24, which is entirely
21 confidential, and I have a fair number of questions, and
22 I would like to be able to speak very specifically about
23 the contents of the exhibit, and I'm afraid that this I
24 think is an occasion where it would be best to have the
25 hearing room cleared of individuals who have not signed

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1 the protective order.

2 JUDGE MACE: This is not highly confidential,
3 this is confidential information; is that correct?

4 MR. FFITCH: That's correct, Your Honor, this
5 is the yellow paper attached to our Exhibit 24.

6 (Discussion on the Bench.)

7 JUDGE MACE: What we will do is we will take
8 a recess right now for 15 minutes. When we resume at
9 3:00, I expect that the hearing room will be clear of
10 any individuals who have not signed the agreement that
11 is attached to the protective order.

12 CHAIRWOMAN SHOWALTER: And we will also turn
13 off the conference bridge, and people who are listening
14 are I guess just going to have to call back every once
15 in a while and see when it goes back on.

16 JUDGE MACE: Thank you.

17 MR. FFITCH: Thank you, Your Honor.

18 JUDGE MACE: Okay, so we will recess for 15
19 minutes at this point.

20 CHAIRWOMAN SHOWALTER: Mr. ffitch, just so if
21 there is anybody listening, do you have a sense of how
22 long this portion of your cross may be?

23 MR. FFITCH: It could be perhaps 20 minutes
24 or so. It's a little hard to tell, around 20 minutes
25 plus or minus.

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1 JUDGE MACE: All right, thank you.

2 (Recess taken.)

3 (Confidential Session.)

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1 (Confidential session concluded.)

2 MR. FFITCH: Shall I continue then, Your
3 Honor?

4 JUDGE MACE: I'm sorry?

5 MR. FFITCH: May I proceed?

6 JUDGE MACE: Yes, please.

7 MR. FFITCH: Thank you.

8

9 C R O S S - E X A M I N A T I O N

10 BY MR. FFITCH:

11 Q. Page 108, Mr. Reynolds, in the same exhibit,
12 it's a script featuring Jennifer and David. Do you have
13 that?

14 A. Yes, I do.

15 Q. And can you just confirm for me that at near
16 the bottom of the page, Jennifer makes the point that
17 this offer for long distance advantage for business
18 includes local and long distance from Qwest?

19 A. Yes, that's what's stated.

20 Q. And that is a radio script, is it not?

21 A. Yes.

22 Q. And that's used in Washington state?

23 A. I assume that it is, but I don't know that
24 for a fact.

25 Q. That's what we asked for in the data request

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1 in any event?

2 A. Yeah, I understand that.

3 Q. And if we move to page 112, we have another
4 radio script, and if you look at the comment about a
5 third of the way down from Ben, he again references
6 local and long distance all on one bill for no extra
7 charge, correct?

8 A. Yes, that's what's stated.

9 Q. Now I do note that that heading references
10 Colorado, do you know if that radio script is also used
11 in Washington?

12 A. I do not.

13 Q. The next page 113 --

14 CHAIRWOMAN SHOWALTER: I will just interject
15 that Ben says, it's a comprehensive business calling
16 plan for Washington.

17 MR. FFITCH: Okay, thank you, Your Honor.

18 THE WITNESS: That probably confuses the
19 people in Colorado, doesn't it?

20 CHAIRWOMAN SHOWALTER: So we know that Ben
21 has not been sworn in.

22 BY MR. FFITCH:

23 Q. The next page, 113, is an advertisement which
24 begins at the very top with the words in large letters,
25 low rates and one bill, how easy is that, correct?

0255

1 A. Yes.

2 Q. And that's a reference again to the
3 combination of long distance and local in one bill?

4 A. I believe it is, but I can't read the small
5 print.

6 Q. Okay. On page 115, the heading is unlimited
7 local and long distance, and this is another script. I
8 believe -- I should ask you if this is a radio or a
9 television script, do you know?

10 A. I don't.

11 Q. And this is directed at small business
12 customers, correct?

13 A. Yeah, it appears to be.

14 Q. And we see the, in the middle of the page,
15 the employee saying that unlimited local service with
16 unlimited long distance plans are available, later, all
17 for one low price, later, all on one bill from Qwest,
18 correct?

19 A. Yes.

20 Q. Just out of curiosity, is the unlimited long
21 distance that's offered in this script subject to any
22 limitations?

23 A. I don't know that.

24 Q. Would you accept subject to check that the
25 small print indicates that it's not actually unlimited,

0256

1 that there is a minutes of use limitation after which
2 the customer's bill is reduced?

3 A. I would accept that subject to check, which
4 means I might have to get a magnifying glass.

5 Q. Now I'm going to ask you to look at the next
6 exhibit, which is Public Counsel -- just give me a
7 minute here, please. Actually here I would like to go
8 to Exhibit 25, the next exhibit in order, and that's a
9 Public Counsel Data Request Number 34, correct?

10 A. Yes, it is.

11 Q. And this has now been revised. The original
12 or the request was for a definition of the term small
13 business and large business as it was used in an earlier
14 Qwest response regarding tracking of service quality,
15 correct?

16 A. That is correct.

17 Q. And the initial response was, large business
18 is customers with five or more lines, and small business
19 was customers with four or less lines, and that's
20 correct, is it not?

21 A. Yeah, well, that's correct what it says, but
22 it wasn't correct.

23 Q. That was the previous answer, and now it's
24 been corrected on Monday with the following statement:

25 Both small and large business customers

0257

1 with at least one inward exchange access
2 line and not more than five total
3 exchange access lines are included in
4 Qwest retail service quality reports.

5 Is that -- that's what it says, right?

6 A. Yes.

7 Q. So is it my understanding that that response
8 means that customers with as few as one to five business
9 lines are classified by Qwest as large business
10 customers?

11 A. They can be, yes.

12 Q. The final sentence of this response, this new
13 response, says that small and large business customers
14 are differentiated on monthly account billing levels.

15 A. That's correct.

16 Q. What is the break point between a small and a
17 large business customer on that basis that is used by
18 Qwest?

19 A. I don't believe I have that here today, and I
20 believe if I did it probably would be confidential.

21 Q. Is that a number that can be provided by
22 Qwest in response to a records requisition?

23 A. Yes, I believe it is.

24 MR. FFITCH: Your Honor, I would like to make
25 a record requisition for that information from the

0258

1 company.

2 JUDGE MACE: This will be Record Requisition
3 Number 4, and can you repeat the question, please, for
4 the record.

5 MR. FFITCH: The question would be, what is
6 the monthly account billing level that Qwest uses to
7 differentiate between small and large business customers
8 in Washington.

9 CHAIRWOMAN SHOWALTER: Let's take a pause and
10 fix the conference bridge.

11 (Discussion on the Bench.)

12 JUDGE MACE: So Qwest has that record
13 requisition request listed?

14 MS. ANDERL: Yes, we do, Your Honor, and at
15 some point we should receive clarification as to whether
16 the due date for these is as set by the rule or some
17 earlier date. I think the rule allows us ten days from
18 the date of the receipt of the transcript to provide
19 these, and my hunch is that's not -- that's going to be
20 too long.

21 JUDGE MACE: Maybe a little too long. We can
22 talk about that at the close of the proceeding when we
23 tidy up these details.

24 MS. ANDERL: Thank you.

25 MR. FFITCH: Thank you, Your Honor.

0259

1 BY MR. FFITCH:

2 Q. Mr. Reynolds, is that definition of small and
3 large business customers that's contained in this
4 response the definition that's used for purposes of
5 service quality reporting and tracking?

6 A. Yes, if I understand your question right. I
7 mean that's -- we draw from large business business
8 office orders and trouble tickets associated or in
9 conjunction with that division based on that definition,
10 so hopefully that satisfies your request. That is, on a
11 monthly billing level per account would determine
12 whether a customer was served by this particular
13 business office or that particular business, a large
14 business or small business.

15 Q. They were, I'm sorry, I want to understand
16 your answer, it would determine whether they're being
17 served by what or whom; I didn't quite hear your answer?

18 A. Well, it depends on how they're served by
19 Qwest, and I believe that in the response that we give
20 you, it will be more explicit. Because my recollection
21 is that we have billing levels that are classified as a
22 certain type of account at Qwest depending on their
23 monthly billing, and there is a break point at which we
24 consider customers to be large business or small
25 business.

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1 Q. And I thought I heard you say that that break
2 point would determine whether they were served by a
3 small business officer or a large business officer?

4 A. Not an officer, I meant just the service
5 representatives and business office. I believe that
6 they're served out of a physically different group of
7 people. That's my understanding anyway.

8 Q. All right. Are there any other, other than
9 service quality measurement, are there any other
10 practical applications at Qwest where this definition is
11 used?

12 A. Yes, it's used, I believe it's used, and like
13 I say my understanding is that it distinguishes based on
14 a certain monthly billing to these customers who they
15 would be served at, how they would be served by Qwest
16 business representatives.

17 Q. Does Qwest use any other definition of large
18 business or small business for internal or regulatory
19 purposes?

20 A. I'm pretty sure they do. I mean it depends
21 on which Qwest unit you go to. You probably will get
22 some other divisions based potentially on access lines,
23 based on revenues, it just depends on what the purpose
24 of the group is. But for purposes of this tracking,
25 this is the, you know, this is the definition that's

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1 used.

2 Q. Can you tell me what the other definitions
3 are that are used by Qwest to define small business and
4 large business?

5 A. Well, as I just suggested, I believe that
6 certain groups use access lines. For example, the
7 previous response was probably based on the way that a
8 certain group distinguishes between small and large. It
9 was not -- it was not correctly answering your question,
10 and I determined that, and that's why I needed to
11 correct it.

12 Q. And which group or groups would use the
13 access line breakdown that you provided in your earlier
14 answer?

15 A. I do not know sitting here.

16 Q. And if you don't know the group, do you know
17 the purpose for which it's used?

18 A. No.

19 Q. In addition to access lines, you have
20 indicated that some groups within the company might use
21 revenues as a distinguishing factor. Is that a fair
22 paraphrase of your answer earlier?

23 A. Yes, but I was just referring to this
24 definition that we're giving you here.

25 Q. Oh.

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1 A. So that's actually a revenue breakdown.

2 Q. Okay.

3 A. A monthly revenue breakdown.

4 Q. Okay. Any other definitions besides revenue
5 and access lines?

6 A. I don't recall seeing any other than those,
7 no. That doesn't mean that they might not exist, but I
8 personally have not seen them.

9 Q. Would you be able to provide a response to a
10 Bench request to answer the question about the
11 definition that is used on the basis of access lines and
12 in what settings that is used by the company?

13 A. If you're asking me physically could we do
14 that, I think we could -- I think we could is the
15 answer.

16 MR. FFITCH: Your Honor, I would like to make
17 an additional Bench request on this definitional issue.

18 JUDGE MACE: This will be Bench Request,
19 pardon me, Records Requisition Number 5.

20 MR. FFITCH: Sorry.

21 JUDGE MACE: And it's the definition or the
22 distinction between treatment of small and large
23 business customers on the basis of access lines; is that
24 correct?

25 MR. FFITCH: That's correct, Your Honor, and

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1 I think a second part of the question is --

2 MS. ANDERL: I'm sorry, I need to have the
3 first part of the question again. I didn't understand
4 what exactly was being sought.

5 JUDGE MACE: Mr. ffitch.

6 MR. FFITCH: I'm requesting that the company
7 provide the definition which it uses for small business
8 and for large business which is determined by the number
9 of access lines that that business has. And the second
10 part of the request is to provide a narrative
11 explanation of which -- of what purposes that definition
12 is used for.

13 And just to explain a little bit, Your Honor,
14 the data request that you have in front of you asked for
15 that, those definitions, in connection with the service
16 quality reporting only, so these additional Bench
17 Requests broaden the inquiry a bit further to get a more
18 comprehensive understanding of the definitions used by
19 the company.

20 BY MR. FFITCH:

21 Q. Can I ask you now to turn to Exhibit 26,
22 please, Mr. Reynolds, and I will turn to it as well, and
23 page 1 of Exhibit 26 is a Qwest Web site cover page for
24 large business customers as I understand it. Is that a
25 correct description?

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1 A. Yes, that's what it appears to be. I see the
2 bold letters, large business, at the top of it.

3 Q. And then if we turn to page 2 of the exhibit,
4 we see a sort of a comparable page for small business
5 customers, correct?

6 A. Yes.

7 Q. Do you know what definitions are used to or
8 how the terms small business and large business is
9 defined for purposes of this Web site?

10 A. I do not.

11 Q. Let's go back and look at page 1, and let's
12 look at the featured products and solutions under the
13 large business heading. Those are voice solutions with
14 an emphasis on call center solutions and audio
15 conferencing, data transfer, Internet, and integrated
16 voice data Internet, correct, oh, and advantage
17 solutions, I'm sorry, those are the featured products
18 and solutions for large business customers, correct?

19 A. That is correct.

20 Q. If we turn to page 2 and look at the featured
21 product for small business, they are Qwest business DSL,
22 long distance, Business Line Plus, and those are the
23 three featured services, correct?

24 A. Yes.

25 Q. And if we go to page 3, there's a description

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1 of Business Line Plus. This is actually the service
2 that we talked about in the marketing scripts earlier,
3 correct?

4 A. Yes, I believe it was referred to.

5 Q. And this description here on page 3 notes
6 that the Business Line Plus service includes one
7 business line and some features, correct?

8 A. Yeah.

9 Q. And if we turn to page 4 of the Business Line
10 Plus Web pages, we can see that the customer is told
11 they can save even more with term agreements. A one
12 year term agreement is available. A two year term
13 agreement is also available, correct?

14 A. Yes.

15 Q. Now let's go back to page 2. That's the
16 small business cover page. And right next to the
17 gentleman's shoulder the phrase, unpredictable business,
18 predictable expenses is set out, correct?

19 A. Yes.

20 Q. Well, rates for business lines and features
21 are regulated right now, are they not? That's why
22 you're seeking competitive classification here, because
23 right now they're regulated by this Commission, correct?

24 A. They are with the exception of the
25 competitive classification that we have received in

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1 prior petitions.

2 Q. Okay. And so to the extent they're regulated
3 at least, the rates are predictable right now, correct?

4 A. I guess I don't know how to respond to that.
5 Certainly even a regulated service is subject to rate
6 changes. I mean we can file for rate changes, and they
7 can be granted, so.

8 Q. Okay. So it's predictable until the
9 Commission changes the rate by allowing a rate increase
10 after notice and a hearing, correct?

11 A. If you're seeking a decrease, yes.

12 Q. Actually, I said a rate increase.

13 A. Oh, I'm sorry, I missed that.

14 Q. But you're anticipating me, because I was
15 going to say that they would be somewhat less
16 predictable if you came in for a rate reduction on 10
17 days notice or 30 days notice, correct?

18 A. That's correct.

19 Q. But a small business is probably not going to
20 mind an unexpected savings in their telephone bill,
21 correct?

22 A. I would think they would look forward to it.

23 Q. Is Qwest willing to commit in this proceeding
24 to cap rates for all the services which are subject to
25 this petition so that you would simply be receiving

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1 downward pricing flexibility under the petition?

2 A. That's not part of our petition, no.

3 Q. So part of the benefit to Qwest from a grant
4 of this petition would be the ability to raise rates for
5 some of its customers with a significantly reduced
6 regulatory oversight; is that correct?

7 A. I haven't thought about it in those terms.
8 If that's one of the freedoms that we have, you know, I
9 suppose that comes with the grant of competitive
10 classification. I don't know that we would refer to
11 that as a benefit, because I don't know that we would
12 ever be able to use it.

13 Q. But you would have the ability to do that,
14 would you not?

15 A. Yes.

16 Q. Let's turn to page 13 of your rebuttal, which
17 is Exhibit 7, and go to line 15.

18 JUDGE MACE: I'm sorry, what page, counsel?

19 MR. FFITCH: Page 13.

20 JUDGE MACE: Thank you.

21 BY MR. FFITCH:

22 Q. And lines 15 through 18, and, Mr. Reynolds,
23 there you state that all three services can provide
24 functionally equivalent exchange access, and you're
25 referring there to PBX, Centrex, and basic business; is

0268

1 that correct?

2 A. That is correct.

3 Q. You're not suggesting are you, that these
4 services are functionally interchangeable from an
5 economic and practical perspective for every business
6 customer?

7 A. No, I'm not.

8 Q. An 18 wheeler and a panel van both give a
9 small business customer the ability to transport goods
10 to market on the highway, but a lot of businesses only
11 need the panel van; am I right?

12 A. I would accept that, yes.

13 Q. Approximately at what point is it economic
14 based on today's prices for a business customer to
15 substitute PBX trunk for multiple business lines?

16 A. I am not familiar with the current cost or
17 sizes of PBXs, so I don't know that I could respond to
18 that. I think you would have to weigh the cost of the
19 PBX, the cost of the PBX trunks, the station line
20 equipment in relation to the single line sets. I mean
21 those are the types of considerations that a small
22 business customer might go through and also determine
23 what your needs are from a feature basis. I mean to the
24 extent that a company has a lot of intracompany calling
25 needs, typically a Centrex and/or a PBX solution might

0269

1 be more economic for them than to have multiple single
2 line businesses that draw dial tone from a central
3 office. So I would have to have more understanding and
4 a better handle on the actual costs to give you a
5 definite answer on that.

6 Q. But it's fair to say, isn't it, that for some
7 business customers, that there is a cut off and that for
8 some business customers it's not economic for them to
9 make that transition from a multiline scenario to a PBX
10 scenario?

11 A. I think that probably that might be the case,
12 but once again, I would not -- I mean a customer's needs
13 and how they're served I think are an important
14 consideration. So I think maybe what you're asking is
15 up to five lines of a small customer depending on how
16 they were dispositioned around their work location and
17 their need to contact one another might be equally
18 served by a small hybrid switch that looks like a PBX
19 but it's served by singleline business services. That
20 way it would work a lot like a PBX for the customer but
21 might not cost as much. I mean there are a lot of
22 electronic solutions out there today that allow even the
23 smallest business customers some of the features of PBX
24 type calling at a fraction of the price, so.

25 Q. And there are some business customers who

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1 purchase one single line, correct?

2 A. That is correct.

3 Q. And there are some who purchase two lines,
4 correct?

5 A. Yes.

6 Q. And there are some customers who purchase two
7 lines who do not need and do not wish to pay for a PBX,
8 correct?

9 A. That's correct.

10 Q. And there are some business customers who
11 purchase two lines who don't want a PBX and they don't
12 want any of the special electronic features because they
13 don't need them and they don't need to incur the
14 expense, correct?

15 A. That's correct.

16 Q. And that would be true actually for small
17 business customers who, for some small business
18 customers who might purchase even more than two lines,
19 perhaps three lines or four lines, correct?

20 A. That's true, and, you know, once again I
21 think the distinguishing criteria that you presented to
22 me was the customer's needs. You could have very small
23 business customers with similar needs, and there are
24 actual products even in the Centrex family that would
25 serve some of those needs for intraoffice calling, and

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1 they're fairly feature rich, so, you know, it really
2 depends on the customer's needs.

3 Q. And some customers don't need those?

4 A. I would agree. That's why we have quite an
5 array of services.

6 Q. Thank you. Now Qwest has provided
7 information in this docket about the number of business
8 lines they have in the state of Washington, correct?

9 A. That is correct.

10 Q. Have you provided any information in the
11 docket about the percentage of those lines that are
12 small business customers?

13 A. My understanding was, and it may have been in
14 a response to a discovery request even by Public
15 Counsel, we were asked to provide a breakdown of
16 customers that had I believe four or more lines or four
17 or fewer lines. I can't remember the cut off point, but
18 I believe we were asked to provide some data like that.

19 Q. Well, I'm asking you, and perhaps I'm asking
20 you to provide a confidential number here, but I'm
21 asking you what percentage Qwest believes or represents,
22 what percentage of its lines consist of small
23 businesses?

24 A. I don't have that data at my fingertips.

25 Q. And you haven't presented that data other

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1 than what you have just referred to, you haven't
2 presented that as part of your petition?

3 A. No.

4 Q. Now I will just refer to business lines. If
5 I change my question to what percentage of your
6 customers are small business customers as opposed to
7 large, would your answer be the same?

8 A. Yes, it would.

9 Q. And have you provided any calculation in this
10 docket, either on a statewide basis or on an exchange by
11 exchange basis, of your market share in the small
12 business market?

13 A. No, other than the data that might be derived
14 from the data we provided in response to discovery.

15 MR. FFITCH: Your Honor, that concludes our
16 cross-examination. I wanted to offer Public Counsel
17 Exhibits 19, 24, 25, and 26.

18 JUDGE MACE: Is there any objection to the
19 admission of those proposed exhibits?

20 MR. FFITCH: Thank you, Mr. Reynolds.

21 MS. ANDERL: Your Honor, we still do not
22 believe that Exhibit Number 24 is relevant in that it's
23 we do not believe probative of any question of fact
24 that's at issue in the proceeding. I realize that when
25 Your Honor ordered us to provide that, there was some

0273

1 indication that the data that we would provide in
2 response to that data request might provide evidence of
3 market power. However, we do not think that the
4 response to the data request does provide that evidence,
5 and we therefore do not think that it is relevant or
6 should be -- and we do not believe that it should be
7 included.

8 JUDGE MACE: Mr. ffitch.

9 MR. FFITCH: Your Honor, we believe that
10 first of all the Commission has already ruled on the --
11 that this information should be produced and is
12 relevant, and I would simply point out that as my
13 cross-examination indicated, there is a very close
14 integral relationship between the post 271 marketing of
15 long distance service by Qwest and its position in the
16 local market. The data request itself, the response on
17 the first page indicates the very significant success
18 that Qwest is having in signing up customers for these
19 new long distance services which are linked to local
20 services. We have also had testimony about the
21 connection between this marketing and the tying up of
22 customers on term contracts, which has an impact on
23 those customers' ability to make later competitive
24 choices. We think this is integrally related to an
25 analysis of the local market.

0274

1 (Discussion on the Bench.)

2 JUDGE MACE: Let me just clarify one point,
3 and that is that in making our ruling that this
4 information should be produced, we didn't make any
5 ruling with regard to whether or not it would be
6 admitted as evidence. There's two different standards.
7 And so I just want to make sure that that's clear.

8 However, with regard to the exhibit, just as
9 Qwest has made some argument and there is some testimony
10 about the relevance of VoIP and wireless as competitive
11 alternatives and to explain the context of the
12 competitive situation in Washington, it appears that
13 this exhibit also would provide perhaps some information
14 about the context to competition in the state of
15 Washington, so we will admit it.

16 MR. FFITCH: Thank you, Your Honor.

17 JUDGE MACE: On that basis.

18 MS. ANDERL: Your Honor we had --

19 JUDGE MACE: Let me just make sure that I've
20 got this here. I'm also admitting 19, 25, and 26, you
21 have no objection to those.

22 MS. ANDERL: That's correct.

23 JUDGE MACE: Go ahead.

24 MS. ANDERL: We had one other item that we
25 wanted to clear up before the next counsel started to

0275

1 cross-examine, and it had to do with the discussion that
2 Mr. ffitch and Mr. Reynolds had concerning RCW 80.36.170
3 and 180, preference and discrimination statutes. And we
4 would like to clarify for the record that Qwest's
5 petition did not formally request a waiver of that, of
6 those two statutes, and we are not now amending our
7 petition to do so.

8 Mr. Reynolds' response to Mr. ffitch was
9 simply intended to convey that that is something the
10 Commission may on its own consider as to whether the
11 evidence in the docket convinces them that those
12 statutes could be waived on a broader basis. However,
13 it was not explicitly a part of the proceeding in terms
14 of being raised in our petition, and we do not wish to
15 expand the proceeding to have direct evidence presented
16 specifically on that point to the extent it has not been
17 before.

18 JUDGE MACE: Thank you.

19 All right, and that completes your
20 cross-examination?

21 MR. FFITCH: Yes, Your Honor. I guess I had
22 indicated to Ms. Anderl that I, you know, I didn't have
23 any problem with the clarification, and I don't, but I
24 guess I would like to make one observation about the
25 matter that's just been addressed. And that is we, the

0276

1 Commission and parties, encountered this problem in the
2 last proceeding, in the 883 proceeding, in which the
3 issue was injected very late in the day after testimony
4 was filed, after rebuttal was filed, and the Commission
5 indicated at that time that it was simply not
6 appropriate to delve into that matter when it had not
7 been an issue in the case up until, actually in that
8 case, up until the time of the briefing.

9 And I guess I'm, you know, just a little
10 concerned here that if Qwest is suggesting that it be
11 considered sort of in the abstract when no party has
12 provided testimony on that issue, including the company,
13 and no party has done discovery on it and no party has
14 prepared to cross-examine on it, that I think it may
15 again put the parties and the Bench in a difficult
16 position.

17 JUDGE MACE: Let me ask Qwest whether your
18 earlier statement meant that you are not requesting it,
19 and you will not request a waiver of those provisions in
20 this proceeding?

21 MS. ANDERL: That's right.

22 CHAIRWOMAN SHOWALTER: This is the preference
23 and discrimination?

24 THE WITNESS: Yes.

25 MS. ANDERL: Yes.

0277

1 CHAIRWOMAN SHOWALTER: So Qwest's position is
2 it will not seek a request of waiver of those
3 provisions?

4 MS. ANDERL: That's right.

5 Your Honor, just for clarification, those
6 statutes contain an explicit statement that for
7 competitively classified services offered in contract,
8 those statutes are waived. And so we would expect that
9 upon a grant of this petition, those statutes would be
10 waived for the services that are at issue here when they
11 are offered under individual contract. However, we are
12 not requesting a broader waiver of those statutes at
13 this time.

14 JUDGE MACE: What kind of contracts would
15 those be?

16 MS. ANDERL: Individual case basis contracts
17 that we might enter into with customers that contain
18 terms and conditions different from the price listed
19 rates for these same analog business services.

20 JUDGE MACE: Would they be similar to the
21 term agreements that are referenced in the exhibit that
22 counsel cross-examined on, Mr. ffitch cross-examined on,
23 the term agreements that were --

24 MS. ANDERL: They may be, Your Honor. It may
25 be that our price list would contain a statement that

0278

1 says, in order to be eligible for this price, you have
2 to enter into a one or two year term contract. In those
3 situations, we would not be required to file the
4 contract, because it doesn't contains terms and
5 conditions and prices different from what's in the price
6 list.

7 But if we wanted to give a customer 5%
8 additional discount offer off the price listed rate and
9 not make any changes to the price list, we would enter
10 into that contract with a customer, and we would be
11 required under Commission rules to file that as an
12 individual case basis contract, and those contracts are
13 ones, and I need to reread the statute to see how
14 broadly it applies, but certainly the ICB contracts,
15 under the ICB contracts we would be exempt from the
16 80.36.170 and 180.

17 CHAIRWOMAN SHOWALTER: Well, I guess I'm
18 confused about what the issue is. I understand what the
19 issue was at one point, but now with this clarification,
20 what is the issue we're trying to decide here?

21 MS. ANDERL: I'm not sure that, I know you're
22 looking at Mr. ffitich, I'm not sure there is one.

23 CHAIRWOMAN SHOWALTER: Okay.

24 MS. ANDERL: I think we just wanted the
25 record to be clear.

0279

1 CHAIRWOMAN SHOWALTER: All right. Well, I
2 guess if there is an issue, we will hear it in a more
3 specific objection later on.

4 JUDGE MACE: Very well, then let's proceed to
5 the next cross-examiner. That would be Mr. Melnikoff.

6 MR. MELNIKOFF: Thank you, Your Honor.

7

8 C R O S S - E X A M I N A T I O N

9 BY MR. MELNIKOFF:

10 Q. Good afternoon, Mr. Reynolds. I'm Stephen
11 Melnikoff, I represent the consumer interests with the
12 Department of Defense and all other Federal Executive
13 Agencies, and I would like to ask you a few questions
14 clarifying points that have preceded or going into just
15 a couple of areas that haven't been addressed.

16 On line 5, I'm sorry, on page 5 of your
17 testimony, lines 10 --

18 CHAIRWOMAN SHOWALTER: Can we, you always
19 start -- please start with the exhibit number first,
20 because we have to wait until we hear that to remember
21 the rest.

22 MR. MELNIKOFF: I believe it's Exhibit
23 MSR-1T.

24 CHAIRWOMAN SHOWALTER: Page?

25 MR. MELNIKOFF: Page 5, line 10 to 11, or 10

0280

1 to 12.

2 BY MR. MELNIKOFF:

3 Q. You talk about the reclassification would
4 allow Qwest, and I'm just rephrasing it here slightly,
5 to quickly provide targeted responses to competitive
6 offerings. Do you see that?

7 A. Yes.

8 Q. And I want to just explore that a little with
9 you. Do competitors target market -- provide target,
10 let's see, the words you used were targeted, targeted
11 responses, competitive offerings, so do competitors
12 target offer large business?

13 A. Yes.

14 Q. Do they -- does Qwest do responses now,
15 provide targeted responses to such offers?

16 A. Yes, within the regulatory framework that we
17 currently operate, we do.

18 Q. Do competitors competitively provide
19 offerings targeted to small business customers?

20 A. I believe they do, but I don't have a lot of
21 information about their packages. I assume that they
22 probably have packages that appeal to small business
23 customers.

24 Q. And does Qwest provide competitive responses?

25 A. Yes, we try to.

0281

1 Q. And what about one line and two line small
2 business segment, do competitors target them with
3 offers?

4 A. Yes, I'm sure they do.

5 Q. And do you provide now targeted responses?

6 A. Yes. The difference is that today when we
7 provide a targeted response, especially on a tariff or
8 even a price listed basis, we have to provide it, and we
9 have to evaluate it statewide. So whatever we offer
10 needs to be provided in every market in the state, in
11 every wire center, every exchange. And to the extent
12 that a competitive response doesn't require that, we
13 would like the same flexibility that our competitors
14 have to compete, so that's probably a key point in our
15 petition.

16 Q. Even though it would be one or two line
17 customers?

18 A. Yes, to the extent that our competitors were
19 offering a package of services or a certain price for
20 their services, yeah, we would like to be able to
21 respond to that.

22 Q. Let me just explore with you briefly, very
23 briefly, your perception of the federal government as a
24 market. You view us or the DOD and the Federal
25 Executive Agencies as a large business, do you not?

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1 A. Yes, I think you would fall into that
2 category.

3 Q. And you competitively target that portion
4 either when we offer requests for competitive bids, you
5 respond to that?

6 A. Yes, we do.

7 Q. Do the competitors also target that market?

8 A. I'm sure they do.

9 Q. There's another side of the federal
10 government marketplace, is there not, and I will just
11 refer you to the small one's and two's of agricultural
12 agents, small post offices in rural areas, recruiters in
13 a strip mall in a small area, forrest service, those
14 kinds of business segment; is that different in
15 marketing for Qwest?

16 A. Yes, I think that they would be marketed to
17 much more in line with smaller business customers. I
18 think that their needs would be more in line with those
19 customers, and probably the product solutions that they
20 desire would be more in line with smaller business
21 customers, so I think that's where they would fall out.
22 It really depends too on whether those smaller offices
23 operate integrally as part of a larger agency throughout
24 the state and whether they have data needs to be tied
25 together, and then they start looking a lot more like,

0283

1 you know, a very large business customer, so.

2 Q. Changing subjects now, still in your exhibit,
3 your direct testimony Exhibit 1, I think it's at page
4 20, line 1, where you, and I'm just trying to get a
5 clarification of some numbers that appear to be
6 different, the number of competitors, the number of
7 CLECs that are competitive alternatives to Qwest. On
8 page 20, line 1, you say Qwest offers evidence that over
9 35 CLECs are providing competing services using Qwest's
10 wholesale services. Do you see that?

11 A. Yes, I do.

12 Q. What was the date of that 35 number?

13 A. That 35 number, I would also direct you to
14 Exhibit 3, and the CLECs that are listed in Exhibit 3 is
15 really the source of that 35 number. I believe you will
16 find 37 there, and the basis and the source and the date
17 associated with those is the same date of the data that
18 we provided in this petition, and that's 12-31-02, so
19 it's end of year 2002.

20 Q. So that -- okay, thank you.

21 Now are you aware that the Staff witness,
22 Mr. Wilson's testimony indicates that only 24 or around
23 24 competitive CLECs responded to the Commission's Order
24 Number 6?

25 A. Yeah, that's my understanding.

0284

1 Q. How can you account for that difference,
2 difference between 24 and your 37?

3 A. Just that some of the CLECs didn't respond.
4 I don't think that there was anything other than a
5 Commission order that compelled them to respond, but,
6 you know, we have their line counts as a part of our
7 billing system, and that's what we reported on. Staff
8 and the Commission issued their data request and I think
9 hoped for the best, and they got responses from 24. So
10 I'm just assuming that there were a certain number that
11 didn't respond.

12 Q. Could it also be that between January 12th,
13 2002, and the present, maybe a month ago, that there are
14 now less than 37 competitors?

15 A. That, you know, that's certainly a
16 possibility, and maybe I need to put the 37 into a frame
17 of reference, because I believe Mr. Teitzel also
18 references a number where we have I believe it's 77 or
19 78 CLECs.

20 Q. I think it's 78.

21 A. Okay.

22 Q. I intended to ask him about that too.

23 A. That are actively purchasing services from
24 us, local wholesale services from us. That doesn't mean
25 that all 78 are purchasing the services that we have

0285

1 presented in this petition. Some of them might have all
2 of their own loops and all they're purchasing are
3 interconnection trunks from us. So there's a reason why
4 there can be a difference between the 78 and the 35. So
5 there's actually, I think that data request may have
6 gone out to more than just the 35 that were listed in
7 our petition, it may have gone out to really all active
8 CLECs, and 24 was the response. And once again, I don't
9 know why they didn't get more response.

10 Q. Thank you. Let me just quickly address sort
11 of practical aspects of your petition. If Qwest is
12 granted the relief it seeks, will you be able or will
13 Qwest be able to price local business service at
14 different rates in different geographic areas?

15 A. That's a possibility, yes.

16 Q. In Exhibit 1, your direct testimony, page 6,
17 I believe it's lines 10 and 11, you're talking about the
18 criterion that the Commission used in granting the
19 threshold reclassification in Docket 000883, the
20 provision, services provision of a DS1 or greater
21 circuits, and you're suggesting there, I know you have
22 already discussed it with other counsel, that it was
23 difficult to translate into marketing plans.

24 A. Yes.

25 Q. Would Qwest be able to translate into

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1 marketing plans a threshold of reclassification based on
2 the number of access lines that a customer takes? For
3 instance, service to customers with three or less access
4 lines is subject to regulation if the Commission so
5 distinguishes, so chooses to distinguish, but service to
6 business customers with four or more access lines would
7 be reclassified, would that present a difficulty in
8 translating into market plans?

9 A. I don't know that. I would have to talk with
10 our billing people about what their capabilities are
11 along those lines.

12 I know that the complication with the 883
13 order is the interpretation of what really constitutes a
14 DS1 or greater circuit. In our network, our loop plant
15 is distributed such that approximately two thirds of the
16 loop are served over some type of digital loop carrier
17 system somewhere, you know, in the network, and that is
18 not -- that does not translate easily into identifying
19 those customers and being able to target any types of
20 services for those customers. And so I think that
21 that's part of the reason why we never really utilized
22 the freedoms that we gained in the last petition.

23 I do believe that probably it would be more
24 utilizeable maybe on a line basis, but I don't know, I
25 don't know the answer to that. And quite frankly, I

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1 don't -- that's not what our petition is about. Our
2 petition is for all customers that are served by these
3 lines regardless of how many lines they're served by,
4 because we believe CLECs are competing for all
5 customers, so.

6 Q. I understand what you're asking for.
7 Are you aware that in certain state
8 proceedings other than in Washington state, for instance
9 New Jersey, the Commission apparently took an approach
10 that is based on access line, number of access lines?

11 A. I'm not specifically familiar with New
12 Jersey. I do know that there are different commissions
13 looking at the same issue.

14 Q. Are you aware that the FCC generally views
15 business customers with fewer than four access lines as
16 similar to residential?

17 A. I don't know that, but perhaps that's
18 something that you could talk with Mr. Teitzel about,
19 because he actually deals with the FCC reports, so he
20 might be able to have more of a conversation with you on
21 that.

22 MR. MELNIKOFF: Thank you, Mr. Reynolds, that
23 concludes my cross.

24 JUDGE MACE: WeBTEC.

25

0288

1 C R O S S - E X A M I N A T I O N

2 BY MR. BUTLER:

3 Q. Mr. Reynolds, if I could direct your
4 attention to Exhibit 12, please. That's the Exhibit A
5 to the SGAT, and specifically if you could refer to
6 Section 9.2.

7 A. Yes.

8 Q. Could you identify which categories of loops,
9 unbundled loops, were included by Qwest in its market
10 share analysis?

11 A. We included -- could you give me the
12 reference to Exhibit A again?

13 Q. Starting on page 6.

14 A. 9.2.

15 Q. 6 of 25, bottom, Section 9.2, unbundled
16 loops.

17 A. Yes, I have it. We included two wire analog
18 voice grade. Obviously we included two wire when it's
19 included with UNE-P to the extent that I have
20 represented the UNE-P circuits that we have provided.
21 We included four wire voice grade. We included two wire
22 non-loaded and four wire non-loaded and two wire ADSL
23 compatible.

24 CHAIRWOMAN SHOWALTER: Where is that?

25 JUDGE MACE: Yes, where is that?

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1 THE WITNESS: I believe it's under 9.2.3.

2 JUDGE MACE: So that's 9.2.3.1 and .2, I see
3 ADSL compatible in each of those categories.

4 A. There appears to be -- I think that it
5 probably says when ordered with a port under UNE-P. We
6 did not include UNE-P ADSL or ISDN, but we did include
7 the loop, so I would say it's 9.2.3.1. We did not
8 include unbundled ISDN loops though or xDSL, we only
9 included the ADSL compatible, because we track some of
10 those products separately. And so once again I would
11 say that it would be a subset of 9.2.3.1, 9.2.2.3,
12 9.2.2.2, 9.2.2.1, 9.2.1.3, 9.2.1.2, and 9.2.1.1 in
13 reverse order, and I apologize for that.

14 BY MR. BUTLER:

15 Q. Did you include any from 9.2.3.3 or 3.4?

16 A. No.

17 Q. How do you differentiate, if you do, between,
18 in your analysis, between an unbundled loop purchased by
19 a CLEC for a business customer versus an unbundled loop
20 purchased by a CLEC for a residential customer?

21 A. We assumed all unbundled loops were business
22 customer loops. With UNE-P we actually have listing
23 information, and so we were able to segment residential
24 UNE-P loops out based on listings. But for unbundled
25 loop, we did not. And that's consistent, my

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1 understanding is that's consistent with the evidence and
2 the way it was presented in our 271 docket as well.

3 Q. Is it correct that Exhibit 12 contains the
4 prices currently in effect for all unbundled network
5 elements offered by Qwest?

6 A. Yes, probably subject to some update for some
7 advices that have been filed. I have noticed that it
8 needs to be updated, this particular version, so.

9 Q. July 11th, you think there's one more current
10 than July 11?

11 A. No, but you wanted to know if those are all
12 current rates, and I'm suggesting that they're not,
13 because you will find that some of the rates that are
14 listed in my direct testimony are different than the
15 rates that are in here but are consistent with what's in
16 the tariff. And that's why I say that in Washington the
17 tariff really is the governing document. The SGAT will
18 be updated for those advices, and it just has not been
19 updated yet.

20 Q. If a CLEC wanted to provide business local
21 exchange services over a DS1 loop, the prices they would
22 pay are those that are set forth in 9.2.3.3; is that
23 correct, the recurring prices?

24 A. Yes.

25 Q. If for some reason the CLEC were not able to

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1 get an unbundled DS1 capable loop and instead had to
2 purchase the same functionality out of the Qwest special
3 access or private line tariff, would those prices on a
4 month to month basis be prices that are set forth in
5 Exhibit 13?

6 A. Those are our private line rates for DS1
7 service, yes.

8 Q. And the category channel termination on the
9 first page of Exhibit 13, that's in effect the loop
10 price; is that correct?

11 A. That's correct, that's analogous to a loop.

12 Q. Okay. And on the next page, the transport
13 mileage, that's the price that they would pay for
14 transport, interoffice transport?

15 A. That's correct.

16 Q. And central office multiplexing on the third
17 page; is that correct?

18 A. Yes.

19 Q. Similarly, if a CLEC wanted to provide
20 business local exchange services over a DS3 capable
21 loop, the prices for an unbundled DS3 capable loop would
22 be those set forth in 9.2.3.4 of Exhibit 12; is that
23 correct?

24 A. That is correct.

25 Q. And the prices out of the special access

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1 private line tariff would be those set forth in Exhibit
2 14; is that correct?

3 A. Yes.

4 MR. BUTLER: I move the admission of Exhibits
5 13 and 14 at this time.

6 JUDGE MACE: Any objection to the admission
7 of those exhibits?

8 MS. ANDERL: No.

9 MR. BUTLER: That's all the questions I have,
10 thank you.

11 JUDGE MACE: And I believe that that's the
12 list of parties to cross examine, we'll turn to the
13 commissioners.

14

15 E X A M I N A T I O N

16 BY CHAIRWOMAN SHOWALTER:

17 Q. Yes, I would like to go back to the
18 discussion of why and to what effect there is the
19 exclusion of digital services. And in your testimony,
20 you say that with respect to wireless and VoIP, those
21 are additional potentially competing services that you
22 are not counting, and therefore to that degree your
23 evidence is conservative in the sense that really your
24 market share might look worse if we did include wireless
25 and VoIP, correct?

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1 A. Yes.

2 Q. All right. Now with respect to digital, I'm
3 confused about the parallel point you made, if you did
4 make it. Are you able to say whether if digital
5 services were included, including both the Qwest
6 services and CLEC, that that would decrease your market
7 share, or are you not able to say?

8 A. I'm not able to say with any certainty, and
9 maybe I can explain a little bit more why. And I don't
10 believe that these numbers are confidential, they're our
11 wholesale aggregate numbers, but we show that we have
12 roughly 3,300 DS1 circuits that -- DS1 loops that CLECs
13 purchase from us. We excluded those from our study
14 because we felt it was the conservative thing to do
15 assuming that CLECs would be provisioning mostly digital
16 services over those DS1 loops.

17 Those have a carrying capacity of really
18 81,000 voice grade circuits if you multiply through by
19 24. We, on the Qwest retail side of the ledger, we have
20 been evaluating some services that we have that are on
21 that DS0 level, and we have been trying to determine,
22 you know, what equivalency we have to a DS1 basis. And
23 what we found so far is if the conversion works straight
24 away, that is you back divide by 24 and you compare the
25 two, that it would actually enhance our current filing.

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1 Q. In other words, your market share would look
2 worse?

3 A. Would look worse, exactly. But we haven't
4 been able to confirm our own counts yet to make sure of
5 that. In fact, we think it's a lot more complex than
6 just back dividing by 24. We believe that a number of
7 these services are probably provided on a DS1 basis, and
8 some of them aren't. And we just want to make sure that
9 so that we have -- so we have an apples and apples
10 comparison before we make that filing. But so far it
11 looks promising. I mean we're not trying to hide
12 anything. We didn't have the data, we wanted to go
13 ahead with this filing, and, you know, we think -- we
14 still believe this filing stands on its own, so.

15 Q. Okay. Then my next question is about
16 magnitude of the digital services.

17 A. Yes.

18 Q. Are you able to give me any sense of the
19 magnitude of the digital services either on Qwest's side
20 or the CLEC side in comparison to the lines or customers
21 for which or services for which you are seeking
22 competitive classification? In other words, if your
23 hunch is wrong, could that affect the calculus, or is it
24 not -- does it -- is it not of a large enough magnitude
25 to make a difference?

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1 A. I don't know that I can -- I'm trying to
2 determine a way that I can -- I think some of this is
3 confidential data, because it's Qwest line count data,
4 and I'm trying to think of a way to give you a sense of
5 the magnitude.

6 Q. Well, if you just want to point to an exhibit
7 that's informative, that would be all right too.

8 A. I don't think there is one. I don't think
9 there is one in the record that presents both sides to
10 allow you the comparison that you would like.

11 Q. And so you don't really have a sense of
12 magnitude even on your own side; is that correct?

13 A. I have a sense of magnitude on the CLEC side.
14 Maybe -- I mean that's wholesale aggregate data, so, you
15 know, I think that we can probably provide that
16 information. And on the CLEC side, if I -- if I convert
17 all of the CLEC circuits just for comparison purposes,
18 if I convert them all to a DS1 basis, so you can either
19 look at them all on a voice grade equivalent, multiply
20 the number I'm going to give you by 24, or look at it on
21 a DS1 basis, we're talking 3,557 circuits, and it's --

22 Q. Now that's the DS1?

23 A. DS1.

24 Q. Right.

25 A. And the reason why it's probably better to

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1 look at them on a DS1 is that we know that at least
2 3,300 of those are already DS1s. So from a CLEC basis,
3 that gives you a perspective, and you can either look at
4 it on a DS1 basis or how many circuits they could
5 derive, you know, from the DS1s.

6 Q. And I didn't follow you when you said 33 are
7 already DS1, what do you mean already?

8 A. The way that our data is broken down is we
9 break it down by product, and some of the products we
10 list out on what's called a DS0 basis. And remember
11 that there are 24 DS0s in a DS1. And so to give you a
12 common base to compare, I sort of back divided all of
13 our DS0's by 24, which is probably not correct, because
14 they're not actually serving customers that way. But we
15 do know that we are serving, that of the 3,500 loops I'm
16 telling you about or the 3,500 DS1 equivalents is
17 probably the best way to state that, 3,300 of them are
18 DS1 loops, and they are provisioned as a DS1 loop.

19 Q. All right. And those are digital services
20 we're talking about?

21 A. Digital services capable of carrying 24 voice
22 grade channels.

23 Q. All right. Can you put that 3,300 or 3,500
24 in some kind of context as sort of the magnitude of that
25 compared to say --

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1 A. You bet.

2 Q. -- the rest of the lines that we're talking
3 about?

4 A. Absolutely. And I will give you two data
5 points. If you were to add all of Qwest wholesale
6 services up, the resale is about 7,000, the UNE-P piece
7 you can think of as about 45,000, and the unbundled loop
8 is about 50,000. That totals about 104,000 individual
9 loops. Staff's data, if you take a look at Staff's
10 data, Staff adds in what's called owned loops, and I
11 believe they also have some special access data and some
12 other ways that CLECs are competing. Staff takes that
13 104 wholesale number up to 231,000.

14 Q. Okay.

15 A. And the other -- so the other data point to
16 compare to those wholesale numbers is this 3,500 number
17 for these digital services, and if you wanted to convert
18 that to a stand alone line basis, it would be about
19 84,000.

20 Q. All right. Now then on the Qwest side, I
21 understand you can't be very precise, but is there a
22 maximum number of lines that we -- that you might be
23 talking about?

24 A. Sure.

25 Q. Again for a sense of magnitude.

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1 A. Right. Ours would not be -- it would not be
2 over 175.

3 Q. DS1s?

4 A. No.

5 Q. Oh.

6 A. Individual loops, 175,000.

7 Q. Oh.

8 A. Okay?

9 Q. All right.

10 A. So you can compare the 84 number with the 175
11 for a sense of magnitude, and I have told you a lot
12 right there.

13 Q. All right.

14 A. It's real --

15 Q. All right.

16 A. -- ball park.

17 Q. Well, that -- thank you. Now I have a
18 qualitative question. Maybe it's more than that. But
19 in terms of whether it makes sense to look at just
20 analog services, obviously you can define analog versus
21 digital, that's a division, it's a factual difference.

22 A. Right.

23 Q. You talked about customer premises equipment,
24 but I'm trying to get a sense of beyond the fact that
25 you might not have adequate data to rope in everything,

0299

1 why does it make sense to think of analog services as a
2 reasonable market for competitive classification
3 purposes, a reasonable definition of a market?

4 A. And I think I explained this earlier, and
5 maybe this doesn't -- if this doesn't get to your
6 question, let me know.

7 I think in response to a question I responded
8 that customers in evaluating their telecom needs
9 evaluate their needs, and they evaluate the cost. And
10 the equipment that they have, you know, is typically
11 based on cost, whether it's new fancy digital equipment
12 or whether it's kind of the older analog equipment. And
13 we still serve, you know, a great number of customers
14 via the analog services, and they have analog equipment
15 in place. So I do think that there is room for sort of
16 defining those two markets.

17 I believe digital is probably the wave of the
18 future and that at some point you probably won't, just
19 like we have very little analog service in our network
20 today, you will probably have very little analog CPE out
21 there.

22 But today there's probably a majority of
23 analog services and analog equipment that is in the
24 market, and, you know, it's transitioning to digital.
25 I'm not going to sit here and tell you that they aren't

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1 -- that they don't provide very similar functionality,
2 because they do. I mean obviously to get customers to
3 convert to digital services, they had to be user
4 friendly and had to be very convertible.

5 Q. Okay. So is it largely the fact that a lot
6 of customers already have analog equipment and therefore
7 would have to make a decision to buy new equipment, or
8 it's also cheaper if you were going to decide and knew
9 what to buy, or both of those?

10 A. I think it's a little bit of both.

11 Q. I believe this is somewhere in the testimony,
12 but I do have a question about the price floor. Some of
13 the parties expressed concern about you reducing your
14 prices, and I can't remember if you have stated that,
15 tell me, do you believe you are limited in how far you
16 can go down in price by either TELRIC prices or the cost
17 proceedings that we have had? In other words, is there
18 some lower limit out there?

19 A. Yes, and I do think that there's an interplay
20 between the type of costing that we do and, for example,
21 the generic cost docket for the wholesale services. The
22 FCC established a TELRIC standard for that, and this
23 Commission applies that standard, and the prices we have
24 today are as a result of that standard.

25 For our retail services, typically the

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1 standard that's applied is TSLRIC, which is -- which was
2 actually the original methodology that TELRIC morphed
3 from so to speak, and TELRIC stands for total element
4 long run incremental cost, TSLRIC stands for total
5 service. And to the extent that the company would file
6 cost support, which this Commission still has authority
7 over with regard to even price listed services, that we
8 can't go below a certain cost, and this Commission has
9 the authority to define what that cost is and has
10 typically held that it's TSLRIC, many of the same inputs
11 that we provide to the TELRIC studies would apply, and
12 additionally we would have our marketing and billing
13 costs associated with the retail services.

14 So it -- I think it goes without saying that
15 a TSLRIC result based on the same subparts of a TELRIC
16 type study is going to come out more costly, because we
17 have costs associated with being a retail provider to
18 our customers. And there are some economies to
19 providing services on a wholesale basis that TELRIC
20 takes into account. And so to the extent that this --
21 and my testimony is to the extent that this Commission
22 governs both of those price floors and has the statutory
23 authority to ensure that Qwest is not pricing below
24 cost, I think that there's not reason to worry that we
25 will go below a certain level.

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1 Now one concern that I did lay out earlier
2 and that I lay out in my Exhibit 6C is that we have
3 deaveraged the wholesale rates, which sort of creates a
4 complication to the extent that we have average retail
5 rates banging up against, you know, the zone 5 floor.
6 If we price below that quite possibly on an average
7 basis, then maybe in those zone 5 areas we're actually
8 pricing below the cost of that zone 5 area without the
9 ability to deaverage retail rates. So there's a little
10 bit of --

11 Q. Wait a minute, what do you mean without the
12 ability to deaverage retail rates?

13 A. Well, if I --

14 Q. Isn't that within your control, at least to
15 bring it to us?

16 A. I think it is, and I, you know, we have not
17 because I think it would end up suspended and in a
18 hearing very similar to this, and I think that this is
19 probably as good or better a forum to gain that
20 flexibility. Once the Commission determines that
21 competition is going to be the tension behind that, I
22 think that that's important, and so.

23 Q. Okay. But then to take a business service in
24 zone 5, so let's assume we have some underlying costs
25 that are relatively high for you, now is that a floor

0303

1 for you in zone 5?

2 A. I would say so, yes.

3 Q. Do you agree though that whatever floor you
4 may have is not the same as what a given CLEC may find
5 to be an affordable wholesale price in terms of their
6 own business plan and revenues that they need?

7 A. To the extent that a CLEC purchases from us
8 exclusively, I have laid out in my Exhibit 6C some of
9 the costs that they would face, both on a UNE-P basis
10 and you can even see the individual categories if they
11 were only purchasing unbundled loop. And I think that a
12 CLEC's costs can vary overall, their average costs per
13 loop can vary depending on the mix of wholesale services
14 that they purchase from us and also services that they
15 provide themselves via their own facilities. So your
16 question is very hard for me to answer.

17 I don't think Qwest knows when it's banging
18 against, you know, a CLEC cost floor. All we know is
19 more or less when we're banging against what we sell our
20 wholesale services for. And so, you know, that's the
21 certainty we have, and that's the certainty this
22 Commission has too, because they fully regulate the
23 wholesale side of our business, and they regulate, or to
24 the extent we're granted this petition, they would
25 certainly regulate the price floor for our competitively

0304

1 classified services. And I think that goes across the
2 state. To the extent the Commission had a concern about
3 our ability to price given the fact that our wholesale
4 rates had been deaveraged, I think you would need to
5 take into account those wholesale rates in the various
6 geographic areas.

7 So I mean I think those are the types of
8 things that the Commission will need to look at when we
9 bring price changes to you after, you know, we are
10 competitively classified. I think that those -- those
11 are -- I think it's clearly called for in the statute.
12 My reading of the statute says the Commission needs to,
13 you know, take into account the costs and prices for
14 these services and also take a look at the
15 noncompetitive services to ensure against cross
16 subsidization. So I think it's all covered in the
17 statute, but, you know, it's going to take some noodling
18 around when we get to that point.

19 CHAIRWOMAN SHOWALTER: Thank you, I have no
20 further questions.

21 THE WITNESS: You're welcome.

22

23 E X A M I N A T I O N

24 BY COMMISSIONER OSHIE:

25 Q. Mr. Reynolds, I would like to just clarify

0305

1 what I thought your testimony was just on a couple of
2 issues. It's my understanding based on your earlier
3 testimony, I can't remember who was crossing you at the
4 time, but that you believe or Qwest believes that resale
5 alone, if that were the only wholesale product offered
6 to competitors, would be a sufficient basis for the
7 Commission to grant Qwest's petition. Did I
8 misunderstand that?

9 A. I think that was a question to me, and it was
10 based on my own personal opinion. And I can't speak for
11 all of Qwest, there might be some people in Qwest that
12 don't agree with that.

13 I think this Commission found in 883 that
14 they didn't believe that resale was necessarily price
15 constraining, and I don't know that I necessarily
16 disagree with that, but I do think that when we lose a
17 customer to resale, we lose the customer relationship.
18 And in sort of this new environment of packages,
19 packaged services, if we lose that customer
20 relationship, that's very important. There's a lot of
21 additional revenues associated with that customer
22 relationship as you probably could see when Mr. ffitich
23 was walking me through the scripts associated with our
24 Custom Choice programs. There are packages today that
25 couple wireless, long distance, and all of those things

0306

1 are important I think on a going forward basis.

2 And so from that basis, that's my own
3 personal opinion, that you shouldn't sell resale short.
4 It's a very important way that CLECs can get in the
5 market quick, and it can have -- it can have very, very
6 severe effects on the company that's losing that
7 relationship just because of all the ancillary type
8 services that are now going along with the resold
9 service in the package.

10 Q. And these severe effects would equate to
11 effective competition?

12 A. Yes. I mean I think in one respect it would.
13 I think that it forces our company to be more
14 competitive, to provide better services to retain these
15 customers, to be more innovative in our packaging and --

16 Q. Constrain prices?

17 A. No.

18 Q. Do you have an explanation for why the --

19 A. I'm sorry, was that a rhetorical question, or
20 was that --

21 Q. No, I think it was a question, whether the
22 effect of resale would be for Qwest to -- it would
23 constrain Qwest pricing in the market?

24 A. Well, I don't think it has the same effect to
25 constrain prices obviously that CLEC owned loops

0307

1 starting at one end of the spectrum moving to unbundled
2 loops and then moving to UNE-P. Because each one of
3 those alternatives are priced and costed separately from
4 the underlying retail rate. And so I think the point is
5 a valid one that the Commission made in 883, that to the
6 extent Qwest raises or lowers its rate, the discount
7 rate just goes up and down with it.

8 The only -- one thing I would add though in
9 the context of this petition is that resale is actually
10 a very small piece of our evidence in this, and the
11 reason why is that much resale has migrated over to
12 unbundled network element platform or UNE-P, because it
13 provides them the same functionality, and it provides
14 them that functionality at a much lower rate, so.

15 Q. Now is that it has a much lower rate, is it
16 also a result of some maturity in your competitive
17 market? In other words, there are fewer new entrants
18 and so they don't need resale to compete with you
19 because they aren't there to compete?

20 A. You know, it might be a little bit of that,
21 but if you look at the numbers in my exhibits, you will
22 see like from 2001 to 2002 you will see a dramatic
23 decrease in resale, it's like 41%, and you will see a
24 significant increase in UNE-P. And UNE-P is really kind
25 of new as of the beginning of 2001, maybe late 2000, and

0308

1 so there's a lot of transition. And when I say it's
2 significant, you know, it's -- I think it's on the
3 record here that our wholesale discount or our resale
4 discount is 14.74%. I think UNE-P would be
5 significantly below that, maybe even, you know, 50% of a
6 discount. And plus it's not keyed off of the retail
7 rate. The Commission establishes the rate when it
8 establishes the rates for unbundled network elements, so
9 it has more of a price constraining effect. Those are
10 not linked. If we raise our retail rate, the UNE rate
11 you still control, it still stays the same, and so it
12 does have much more of a price constraining effect.

13 Q. And so do you think that the use of resale by
14 a competitor or by the marketplace if you will of your
15 competitors is really indicative of a nascent market by
16 the entry into the market by that competitor?

17 A. I think to a large degree it is, yes, and I
18 think --

19 Q. As the market matures, then it would be only
20 natural because of the greater efficiency and economics
21 if you will for the competitors to move to UNE-P or
22 UNE-L or their own facilities?

23 A. Well, you know, I would maintain now that I
24 think they bypass resale and go straight to UNE-P. They
25 don't need to resell our services any more. UNE-P is a

0309

1 complete full substitute for resale. So I think you
2 will see resale fall by the wayside and have UNE-P be
3 really the entry strategy in the future. But your point
4 still goes, it is an entry strategy because you don't
5 need the large investment to get in, and I was asked
6 earlier about how a CLEC might enter Elk, well, I think
7 they would probably enter Elk with UNE-P or a resale --

8 JUDGE MACE: Enter what?

9 THE WITNESS: Enter the -- we have a wire
10 center that is in Elk, Washington.

11 JUDGE MACE: Oh, I'm sorry, Elk. I heard
12 elf.

13 THE WITNESS: It's received a lot of
14 attention in this petition because we don't have any
15 evidence of selling any of our wholesale services there.

16 BY COMMISSIONER OSHIE:

17 Q. Just to, I want to change the subject and
18 move on to what I think is the -- is a -- I'm going to
19 call it a general principle in your petition, which is
20 it's good enough that the competitors are capable of
21 competing, and it's not necessary to find that there is
22 competition, real competition in the marketplace, only
23 that they're capable of competing. Is that -- did I
24 accurately state Qwest's position in this matter?

25 A. I think you did, but I think you need to put

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1 it into perspective, because it's really only at the
2 margin. To the extent if you bring in Staff's data, you
3 find that there is only one exchange where competitors
4 are not actively competing for these services, and that
5 is Elk. But it is our contention that we are required
6 to provide the wholesale services anywhere we offer
7 service. All of our services can be resold. The ease
8 of entry is as I have indicated in my testimony, and
9 they can purchase either a resold service or a UNE-P
10 type service, and it's very easy for them to get into
11 that market.

12 And my testimony also provides evidence that
13 we don't have any -- we don't have any exchanges in
14 Washington where CLECs aren't at least holding
15 themselves out for sale. I even provided evidence from
16 the Spokane directory for Elk, Washington that the
17 competitors are holding themselves out for sale there.
18 I've got similar books, directory listing books, the
19 information pages that list CLECs for Northport, Green
20 Bluff, some of the smallest exchanges in Washington. So
21 I guess our point is that if not now, it's not because
22 of lack of capability.

23 Q. Does Northport have a directory?

24 A. I believe it shares one.

25 Q. With Spokane, right?

0311

1 A. No, well, you're right, I think Northport is
2 in Spokane.

3 Q. And Elk is the same?

4 A. Yeah.

5 Q. Okay.

6 A. But I believe Easton is separate and -- we
7 have two very small, of the five exchanges that we
8 didn't provide evidence of CLECs purchasing wholesale
9 services, we have two very small books, and, you know,
10 it's in my rebuttal testimony, but it provides the CLECs
11 that are listed in those very small books.

12 COMMISSIONER OSHIE: Thank you.

13 THE WITNESS: You're welcome.

14 CHAIRWOMAN SHOWALTER: I forgot one question.

15

16 E X A M I N A T I O N

17 BY CHAIRWOMAN SHOWALTER:

18 Q. In the four exchanges that we did
19 competitively classify for limited services, what has
20 happened to your market share? And you can measure it
21 how you want, either by the types of lines that were
22 competitively classified or business lines in general.

23 A. I don't have that data right at my
24 fingertips, but I -- if you just want a general
25 direction, we have been losing market share in every

0312

1 exchange.

2 Q. Including the exchanges where the --

3 A. Yes.

4 CHAIRWOMAN SHOWALTER: Okay, thank you.

5 JUDGE MACE: I actually have a few items I

6 want to cover with you.

7

8 E X A M I N A T I O N

9 BY JUDGE MACE:

10 Q. In terms of your CLEC market share
11 calculation, I believe it basically addresses the period
12 from, well, the year 2002. Have you done any
13 recalculation of it to cover the period since the end of
14 2002 to roughly the present?

15 A. Yes. In fact, in response to Public
16 Counsel's data request, in fact it's an exhibit in this
17 proceeding, let me find which one it is. It's Exhibit
18 Number 24, and if you take a look at the first page of
19 that exhibit, I believe in the exhibit book it's
20 actually page 2, I'm sorry.

21 Q. Page 2.

22 A. The right-hand column, if you go back to our
23 petition, you will find a number of our total services
24 that we're seeking competitive classification for of
25 520,635 I believe. If you use that as the start point

0313

1 for the end of 2002, you can track it, the 517.

2 Q. Well, I'm not sure you're supposed to be able
3 to recite those figures.

4 MS. ANDERL: That's okay, it was the long
5 distance figures on the left that were confidential.

6 Q. Thank you.

7 A. You can follow those down --

8 Q. Thank you. Then have you done any kind of
9 measurement of how many Qwest customers have migrated
10 from Qwest basic business services to other Qwest
11 services? I know there have been some discussion of
12 migration, I don't know if there's any statistics or
13 figures in the record.

14 A. Yes, I believe that there is some, and I
15 believe it was in response to a discovery request by
16 Public Counsel that asked us to do that. And I think
17 that that data comes from a survey that we do when
18 customers disconnect, and it lists a variety of reasons,
19 that they may be going to another provider, they may be
20 upgrading their service to a different service, and so
21 you could get an idea percentagewise of our disconnects
22 during that period, how many of them were changing
23 services. And I don't -- I don't have the discovery
24 request right at my fingertips here, but we will
25 certainly provide that to you.

0314

1 Q. If you would do that.

2 MR. FFITCH: Your Honor.

3 JUDGE MACE: Yes.

4 MR. FFITCH: I'm sorry, Your Honor, I was
5 just going to interject we have identified that as an
6 exhibit for Mr. Teitzel and were going to get into that
7 topic with him tomorrow.

8 JUDGE MACE: Thank you.

9 BY JUDGE MACE:

10 Q. And then the final question, it appears that
11 some CLECs provide their own loops. Other than that, is
12 there any other reasonable alternative to a CLEC to
13 purchasing Qwest loops if they want to compete?

14 A. You know, I think some of the CLECs would
15 argue how reasonable it is, but early on right after the
16 Act and even prior to the Act, some CLECs were
17 purchasing special access from us under the special
18 access tariff to provide loops. And I believe some of
19 the CLECs still have some of that special access in
20 place and are provisioning loops via special access.
21 And so that is one more form of competition or
22 competitive facilities that are used to compete with our
23 services.

24 JUDGE MACE: Thank you.

25 THE WITNESS: You're welcome.

0315

1 JUDGE MACE: Qwest.

2

3 R E D I R E C T E X A M I N A T I O N

4 BY MS. ANDERL:

5 Q. Mr. Reynolds, you were asked some questions
6 by Ms. Friesen with regard to whether a CLEC needs to
7 obtain collocation as a prerequisite to ordering UNE-P.
8 Do you remember that?

9 A. Yes, I do.

10 Q. Have you been able to check since the time
11 those questions were asked to you and confirm whether a
12 CLEC is required to buy UNE-P or required to purchase
13 collocation from Qwest before it buys UNE-P?

14 A. Yes.

15 Q. And what is the answer to that?

16 A. The answer is no.

17 Q. So with regard to all of the costs that
18 Ms. Friesen listed that a CLEC might incur associated
19 with collocation, if a CLEC were to select a UNE-P entry
20 strategy, the CLEC would not need to incur those costs;
21 is that correct?

22 A. Yes.

23 MS. ANDERL: I don't think I have anything
24 else, Your Honor. Let me just -- there were a lot of
25 things that were covered over the past eight hours, and

0316

1 I want to kind of double check my notes.

2 No, that's it, Your Honor, thank you.

3 JUDGE MACE: Ms. Singer Nelson.

4 MS. SINGER NELSON: Yes, Your Honor, I just
5 have a couple of follow up.

6

7 R E C R O S S - E X A M I N A T I O N

8 BY MS. SINGER NELSON:

9 Q. Mr. Reynolds, do you recall your discussion
10 with Chairwoman Showalter about if Qwest had included
11 the digital circuits for both Qwest and CLECs in the
12 analysis?

13 A. Yes.

14 Q. And then you mentioned some numbers?

15 A. Yes.

16 Q. One of them was 3,300 DS1 circuits?

17 A. Yes.

18 Q. And as I understood it, that was referring to
19 the number of purchases by CLECs of DS1 circuits?

20 A. Yes.

21 Q. Where did you get that information?

22 A. The same place we got the information on all
23 the other loop information, from our wholesale services
24 group.

25 Q. Is that in the record anywhere?

0317

1 A. No. Well, there's been a lot of discovery,
2 so I don't believe it is, but it might have come across
3 in some discovery.

4 Q. But you're not sure?

5 A. I am not sure.

6 Q. Could you verify that?

7 A. Whether it's in the record or not?

8 Q. Whether it's in the record.

9 CHAIRWOMAN SHOWALTER: Well, it's in the
10 record now.

11 JUDGE MACE: It's in the record now.

12 BY MS. SINGER NELSON:

13 Q. When you talked about the 81,000 voice grade
14 circuits then that are equivalent to those 3,300 DS1
15 circuits, you went on to talk about a comparative number
16 of Qwest voice rate circuits, and did you -- is that
17 number the 175,000 number that you mentioned?

18 A. I think the Chairwoman asked me for some
19 bounding number, and so that I didn't give away the
20 exact number, and I went high, which is conservative.
21 Our number is actually lower than that, but.

22 Q. So the --

23 A. So that isn't -- that is not a real number.
24 That is a bounding number that I provided to the
25 Chairwoman because she wanted some sense of the

0318

1 magnitude, and I thought that that was a fair estimate.

2 Q. And that was of Qwest voice grade circuit
3 equivalentents?

4 A. Voice grade, yeah, equivalentents. If you were
5 to put them on, you know, you could either convert them
6 all to DS1 or leave them all voice grade, and I think I
7 explained our problem right now is determining where we
8 are on each of those planes, and that's what we're
9 trying to work out.

10 Q. Well, so would you then in bringing that to
11 DS1 circuits, would the calculation be 7,200 Qwest DS1
12 circuits assuming 175,000 voice grade circuits?

13 A. If that's just back dividing by --

14 Q. 24.

15 A. -- 24, yes. So -- and you could compare that
16 to the 3,500 number that I gave the Chairwoman if you
17 wanted to compare them on that basis.

18 Q. And I know that you mentioned a 3,500 number
19 and you also mentioned a 3,300 number, what's the
20 difference?

21 A. Well, I wanted to give the Chairwoman some
22 certainty that on the CLEC side of the equation we know
23 that we have 3,300 DS1s. Those aren't busted down into
24 voice grade equivalentents, that's what we have -- I mean
25 that's what, you know, are on our books, that's what we

0319

1 have sold. There are some other DS0 circuits that I
2 aggregated to get to the 3,500, but I wanted to give her
3 a sense that there actually are, you know, 3,300 DS1s.

4 On the Qwest side of the equation, I don't
5 have that same sense of certainty, because we're still
6 trying to determine from some large DS0 counts how many
7 DS0s are provided on individual DS1s so that we can
8 essentially compare apples to apples. Because we don't
9 have that today, and that's the process we're in to try
10 to determine what our filing would look like.

11 Q. But you do know how many DS1 circuits that
12 Qwest sells on a retail basis in Washington, don't you?

13 A. Yes, we would know that.

14 Q. And what is that figure?

15 A. I don't have that figure. Well, maybe I do.
16 Well, I don't think I would give it to you now, but
17 maybe subject to whatever.

18 CHAIRWOMAN SHOWALTER: Do you want it
19 confidentially submitted? We could do that.

20 MS. SINGER NELSON: If it is confidential,
21 yeah, I'm happy to have it confidentially submitted.

22 JUDGE MACE: It could be a record requisition
23 for a confidential piece of information.

24 MS. SINGER NELSON: I would ask that.

25 JUDGE MACE: It will be number --

0320

1 MS. ANDERL: 6.

2 JUDGE MACE: -- 6, correct.

3 MS. ANDERL: The number of retail DS1
4 circuits that Qwest currently has in service in
5 Washington?

6 MS. SINGER NELSON: Yes.

7 THE WITNESS: Just so we keep everything on
8 the same --

9 MS. SINGER NELSON: Timetable?

10 THE WITNESS: -- time frame, as of the end of
11 12-31-02, is that --

12 MS. SINGER NELSON: Yes, if your 3,300 number
13 is based on that.

14 THE WITNESS: It is, yeah, that's all
15 December 31st, 2002, data.

16 MS. SINGER NELSON: That's all I have.

17 JUDGE MACE: Thank you.

18 Ms. Friesen.

19

20 R E C R O S S - E X A M I N A T I O N

21 BY MS. FRIESEN:

22 Q. Just a quick clarification on your learning
23 on the stand. To the extent that a CLEC wants to serve
24 all customers via UNE-P, am I to understand that we do
25 not need to purchase any form of collocation; is that

0321

1 true?

2 A. My understanding is that if you do not wish
3 to access those loops for any other purpose, for example
4 you don't want to engage in line splitting or do
5 anything else with the loop, you would not require a
6 collocation. If you wanted to offer any type of service
7 such as being able to split the line with another CLEC,
8 have them provide DSL service, you would require
9 collocation.

10 Q. Okay. And from whom did you learn this
11 information?

12 A. I talked with our cost guru, a woman named
13 Terry Million who actually does the costs for
14 collocation.

15 Q. Okay. Now to the extent that I want to
16 combine any of the UNE-P that I purchase with anything
17 else or any portions of my network, do I require
18 collocation?

19 A. I would imagine that depends on how you do
20 that. Like I just offered up, if you need to access
21 that loop or you want to combine services with another
22 CLEC located in that office, you would probably need
23 collocation. But as far as just stand alone UNE-P, you
24 would not.

25 Q. I also asked you in conjunction with that

0322

1 question on use of UNE-P whether or not I would have to
2 purchase interconnection, did you confirm with the
3 costing individual that some form of interconnection was
4 required as well?

5 A. I think I answered at the time that if you as
6 a CLEC had multiple forms of facilities that you were
7 basing your retail offering on, for example unbundled
8 loops, owned loops, and UNE-P, you would require
9 interconnection to get to your -- the loops behind your
10 switch. You would not though, I don't believe, have to
11 have interconnection if all you were doing was selling
12 UNE-P.

13 Q. And did you confirm that with the individual
14 costing person that you confirmed the collocation
15 response with?

16 A. I don't know that I discussed that with them.

17 MS. FRIESEN: Okay, thank you, I have nothing
18 further.

19 THE WITNESS: You're welcome.

20 JUDGE MACE: Mr. Levin.

21 MR. LEVIN: Thank you, yes.

22

23 R E C R O S S - E X A M I N A T I O N

24 BY MR. LEVIN:

25 Q. A few questions were raised by the questions

0323

1 asked you by the Chairwoman and Commissioner. When a
2 CLEC buys a DS1 UNE from Qwest, there are no channels in
3 the DS1; isn't that right?

4 A. That's correct. I believe, well, I believe
5 that they can probably order -- they can order MUXing if
6 they want, so.

7 JUDGE MACE: They can order what?

8 THE WITNESS: They can order equipment that
9 would delineate channels from Qwest as part of the UNES.
10 BY MR. LEVIN:

11 Q. But that would be an additional UNE?

12 A. Yes, it would.

13 Q. But if they ordered the UNE DS1, it's not
14 channelized?

15 A. I believe that's correct.

16 Q. And if the CLEC does its own channelizing of
17 the DS1, that's done by its own switch translations;
18 isn't that right?

19 A. I think on the one end, yes. On the customer
20 end, it's probably done by equipment that would
21 channelize it.

22 Q. So they would, in order to channelize it,
23 they would install like an integrated access device at
24 the customer premises, and that would work with the CLEC
25 switch to configure the channels?

0324

1 A. Yes.

2 Q. And that integrated access device at the
3 customer premises could be used to create one channel of
4 1.544 megabytes, or it could be used to create 24 64k
5 channels or any number in between?

6 A. That's correct.

7 Q. And a CLEC could choose to sell to a customer
8 say 8 64k channels and use the rest of the T1 capability
9 to provide high speed Internet?

10 A. That's correct.

11 Q. And you're aware that there are many CLECs on
12 the market that are doing exactly that, are you not?

13 A. No, I don't know what the CLECs are doing,
14 so.

15 Q. Wouldn't surprise you to learn that?

16 A. It wouldn't surprise me. They're serving
17 their customer's need, and if they have customers that
18 have that need, they have that flexibility to provide
19 that service.

20 Q. In fact, Qwest has a similar product called a
21 fractional T1; isn't that right?

22 A. That's right.

23 Q. And with a fractional T1, you take a full DS1
24 and you use the full DS1 to serve the customer, but you
25 don't use all the channel capacity of the DS1; is that

0325

1 right?

2 A. That's correct.

3 Q. So when you multiply 3,300 times 24 channels,
4 that's assuming a business plan for the CLECs that you
5 really don't know about?

6 A. I wasn't really thinking that, all I was
7 trying to do is put it on a channel basis.

8 Q. But that assumes the most negative for the
9 CLECs or the most positive for Qwest in terms of
10 emphasizing CLEC market share, doesn't it?

11 A. All I was trying to do is put the channels,
12 and it's often done in the industry, on a voice grade
13 equivalent basis so that I could compare them to the
14 Qwest channels. I also provided the other side of the
15 equation. If you would like the 3,300 or 3,500 compared
16 to our whatever the number is for Qwest, we have that
17 data.

18 I think the fact of the matter is, and I
19 hopefully have represented this fairly to everyone, we
20 don't know the answer. I think if we come forward with
21 the competitive classification for digital services, we
22 certainly wouldn't list the 3,300 DS1s as 81,000 voice
23 grade equivalents because -- for the very reason that
24 you just cited. We would list them as DS1 capable
25 loops, and we would show what we have on our side of the

0326

1 equation hopefully in the same type of breakdown. And
2 so I, you know, your point is well taken, but that's not
3 what I was trying to do.

4 Q. So if it should turn out that the CLECs as a
5 group have a much greater proportion of fractional T1s
6 in their mix of what they use DS1s for than Qwest, it
7 might be very different on how it affected market
8 shares?

9 A. Potentially.

10 Q. Now you mentioned that you thought that the
11 dividing line as I understand it between analog and
12 digital customers moving or not moving from analog to
13 digital services had something to do with the kind of
14 equipment cost they might have; is that right?

15 A. I think that that could be a determining
16 factor, yes.

17 Q. But Qwest does have digital Centrex products,
18 doesn't it?

19 A. Yes, it does.

20 Q. And a classic Centrex configuration doesn't
21 involve a large customer premises equipment expense on
22 the part of the customer, does it?

23 A. I don't know that. I know that the
24 electronic sets that operate on a digital basis can get
25 to be expensive, but I don't know about any of the other

0327

1 costs.

2 Q. But they don't have to buy a PBX because
3 Qwest provides the switching services, which is what
4 Centrex is.

5 A. That's correct, but we have to recover our
6 switching cost too, so it's passed along.

7 Q. So the customer may pay a higher per unit
8 cost for the Centrex?

9 A. That's correct.

10 Q. But the threshold cost of purchasing the PBX
11 is not there for the customer?

12 A. That the trade off.

13 Q. Now in the your testimony, Mr. Teitzel's
14 testimony, you talk about how easy it is for customers
15 to move to voice over IP, but they need new phones for
16 that, don't they?

17 A. I think you would be better off asking
18 Mr. Teitzel about that.

19 Q. Now we talked earlier about ISDN BRS basic
20 rate service, how it provides two voice lines.

21 A. Yes.

22 Q. Can be configured to provide two voice lines.

23 A. Yes.

24 Q. And all it takes for that is an ISDN phone;
25 isn't that correct?

0328

1 A. Well, I don't, you know, I mean you're
2 minimizing it. I mean an ISDN phone is an ISDN phone.

3 Q. \$200?

4 A. Yeah, but that's significant on a per line
5 basis.

6 Q. But in the customer's calculation of whether
7 to convert, the customer would look at say I've got two
8 business lines now and they cost me so many dollars per
9 month, and if I go and buy this ISDN product, I get two
10 business lines for whatever price that is, and so if I
11 amortize the price of equipment if there's enough of a
12 difference, maybe just a matter of a month or a year or
13 two years before I pay for that phone and start saving
14 some money?

15 A. I'm sure that they will make economic
16 choices. Most businesses do or they won't be in
17 business long.

18 Q. A typical configuration might be a small
19 business that has a cash register that needs to do the
20 credit card transactions and uses the D channel to check
21 the credit card, checking transactions, and gives you
22 two voice channels, right?

23 A. That is one application, yes.

24 MR. LEVIN: Thank you, those are all my
25 questions.

0329

1 JUDGE MACE: Mr. ffitch.

2 (Discussion off the record.)

3 JUDGE MACE: Mr. ffitch.

4 MR. FFITCH: May I proceed?

5 JUDGE MACE: Please.

6 MR. FFITCH: Thank you.

7

8 R E C R O S S - E X A M I N A T I O N

9 BY MR. FFITCH:

10 Q. I think I just have one question. Back on
11 this topic of the 3,300 times 24, which yields I think
12 you said is it approximately 80,000 or 81,000; is that
13 right?

14 A. I get a different number every time, 79.2,
15 so.

16 Q. 79,000?

17 A. 79,200.

18 Q. All right.

19 A. For the 33.

20 Q. And that's, you know, as has been discussed,
21 that's sort of a maximum assuming 24 voice grade
22 channels per DS1, and that's an estimate of the digital
23 activity, the digital capacity of the CLECs in the
24 business market, correct, your estimate based on the
25 3,300 DS1s?

0330

1 A. Yeah, that's just based on the wholesale
2 services they purchase from us. I'm sure they have a
3 lot more capacity on their own loops, so.

4 Q. And in addition to that, sort of to determine
5 a total voice grade equivalent for CLECs, you would add
6 the lines that have been identified elsewhere in this
7 docket, and I think the -- I'm not sure if this is a
8 confidential number now, it may be, but there is a
9 number that's been identified by the Commission Staff,
10 and then you have identified another number as to the
11 wholesale activities of the CLECs. That's a total line
12 number, I think you used a number of 104; is that
13 correct, which you haven't designated as confidential?

14 A. That's correct. In Qwest's petition we filed
15 evidence of 104,000 loops that are resold UNE-P and
16 unbundled loop, and I think to the -- when the
17 Chairwoman asked the question about just put that into a
18 frame of reference with some of the other numbers in
19 this proceeding, I compared that to Staff's number,
20 which I believe in Mr. Wilson's testimony is at 231,000
21 and added to our 104 are CLEC owned, probably some
22 special access, and some corrections on our own
23 inventories.

24 Q. So then you would add, for the total universe
25 of CLEC activity, you would add the 80,000, or excuse

0331

1 me, 79,200 to those figures to come up with a total
2 voice grade equivalency for CLEC activity in the
3 business market?

4 A. You know, I think that would be a ball park.
5 You know, I -- the 79,200 remember was just the DS1s. I
6 have a handful of other digital services, other digital
7 wholesale services the CLECs purchase from us, and, you
8 know, that was the difference between the 3,300 DS1s and
9 the 3,500 total, so there's an additional 200 DS1s there
10 that you could add into your equivalency count if you
11 wanted to.

12 Q. All right.

13 MR. FFITCH: Thank you.

14 I don't have anything else, Your Honor.

15 JUDGE MACE: Mr. Melnikoff.

16 MR. MELNIKOFF: I don't have anything, Your
17 Honor.

18 JUDGE MACE: And Mr. Butler.

19

20 R E C R O S S - E X A M I N A T I O N

21 BY MR. BUTLER:

22 Q. Mr. Reynolds, back on this issue of the DS1
23 circuits, the 3,300 or if you include the aggregated
24 DS0s or 3,500, you are not representing, are you, that
25 you know that all of those circuits or any particular

0332

1 percentage of them are used to provide local exchange
2 service to business customers, are you?

3 A. No, I'm not.

4 Q. Okay. Do they all represent circuits that go
5 from an end user customer location to a Qwest central
6 office?

7 A. Yes, they do. They are all -- they are all
8 DS1 capable loops, so they are purchased under the UNE.
9 I mean they are not purchased out of the private line
10 transport tariff, they are purchased as UNEs.

11 Q. With respect to the 175,000 figure that you
12 mentioned for Qwest, I assume that's again the DS1
13 circuit equivalent, is that --

14 A. Those are -- no, in fact those don't include
15 -- I don't believe those include DS1. Those are all
16 digital switched services, so those are switched
17 services.

18 Q. If you were to come up with an equivalent
19 figure for the 3,300 for Qwest services, what's the ball
20 park figure there?

21 A. I don't know that.

22 CHAIRWOMAN SHOWALTER: Isn't that Requisition
23 Number 6?

24 A. Yeah, I think that's under a requisition
25 number.

0333

1 Q. In the record requisition, would you be
2 including the capacity provided over DS3 circuits or OCN
3 level circuits as well, or are you only going to be
4 providing --

5 A. I think we would only provide what's
6 requested.

7 JUDGE MACE: That's really all that's been --
8 the cross-examination has dealt only with that.

9 Q. But isn't it the case that a DS3 can be used
10 to provision DS1 and again DS0 circuits as well?

11 A. That's correct.

12 Q. As well as an OCN level loop, right?

13 A. That's correct.

14 Q. Okay.

15 A. But I would, you know, if we're going down
16 this path, I would think at some point I mean we also
17 have special access that carriers purchase to provision
18 bandwidth directly to customers that's outside sort of
19 the scope of UNEs. And so as long as we get into
20 Qwest's retail DS1, DS3, and OCN, we should probably add
21 that as an element too, because that's another measure,
22 bandwidth, that goes to these customers that Qwest may
23 sell on a wholesale basis that either interexchange
24 carriers, CLECs, or combinations thereof sell to their
25 customers that are in addition to the DS1 loops that I

0334

1 have been talking about here today.

2 Q. And again, you wouldn't know what percentage,
3 if any, of those were actually being used to provide
4 local exchange service?

5 A. That's correct, I don't know that.

6 Q. So would you agree with the point that this
7 is a highly speculative venture and not likely to yield
8 any meaningful information?

9 Oh, come on.

10 A. I don't think I'm going to jump right on that
11 one. I was trying to limit this to digital switched
12 services in a comparison to the wholesale services that
13 CLECs would purchase to provide similar types of
14 service. I think you bring up a good point, that we
15 have other digital services like DS1 and DS3 private
16 line that we sell to our customers, but we also sell
17 that to third party providers. So I don't know at what
18 point you stop trying to compare capacity to these
19 customers on a wholesale and retail basis. It makes it
20 kind of difficult, but, you know, we can certainly -- I
21 mean I don't think it's meaningless, because I do think
22 -- I do think ultimately it represents, you know,
23 significant market share for our competitors in this
24 state regardless of how they use it.

25 Q. Let me just ask you a question or two about

0335

1 customer perceptions of alternatives in the market. The
2 Chairwoman asked you about customers who have already
3 made investments in CPE. Would you agree that a
4 customer that has already invested in a PBX as a large
5 private network, got all the CPE necessary to go along
6 with that, is going to view alternative products in the
7 market much differently than a customer who has yet to
8 make that initial decision on commitment of technology
9 or service?

10 A. Yeah, I think I could agree with that.

11 Q. And a customer, for example, who wants direct
12 inward dialing capability to each of the stations
13 located behind its PBX is not really going to be looking
14 at a Centrex line as an adequate substitute for DID
15 service?

16 A. That's probably true as well.

17 MR. BUTLER: Thanks, that's all I have.

18 JUDGE MACE: Thank you.

19 That completes the examination of Mr. Mark S.
20 Reynolds, and you're excused at this point.

21 THE WITNESS: Thank you.

22 JUDGE MACE: I don't think we're going to go
23 any further tonight, we will begin tomorrow at our usual
24 time, or do you want to --

25 CHAIRWOMAN SHOWALTER: 9:30.

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JUDGE MACE: At 9:30 tomorrow morning.

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(Hearing adjourned at 5:30 p.m.)

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