

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION
COMMISSION**

IN THE MATTER OF THE PETITION OF DIECA COMMUNICATIONS, INC., D/B/A COVAD COMMUNICATIONS COMPANY, FOR ARBITRATION TO RESOLVE ISSUES RELATING TO AN INTERCONNECTION AGREEMENT WITH QWEST CORPORATION))))))))	Docket No. UT- 043045
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**QWEST CORPORATION
RESPONSE TESTIMONY OF WILLIAM R. EASTON**

PAYMENT ISSUES

(Disputed Issue Nos. 8-1, 8-2, 8-3 and 8-4)

AUGUST 2, 2004

REDACTED VERSION

CONTENTS

I.	IDENTIFICATION OF WITNESS	1
II.	PURPOSE OF TESTIMONY	1
III.	RESPONSE TO COVAD'S BILLING ISSUE TESTIMONY	2
IV.	SUMMARY/CONCLUSION	17

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19

I. IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A. My name is William R. Easton. My business address is 1600 7th Avenue, Seattle Washington. I am employed as Director – Wholesale Advocacy. I am testifying on behalf of Qwest Corporation ("Qwest").

Q. ARE YOU THE SAME WILLIAM EASTON WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?

A. The purpose of my testimony is to respond to the direct testimony of Megan Doberneck relating to payment for services and the amount of time that Qwest must wait before Qwest may discontinue taking orders or may disconnect services due to Covad's non-payment for services. These are Disputed Issues 8-1 (Due Dates for Amounts Payable), 8-2 (Timing for Discontinuing Orders), 8-3 (Timing for Disconnecting Services), and 8-4 (Definition of "Repeatedly Delinquent") in this arbitration proceeding.¹

¹ Although Ms. Doberneck's direct testimony identifies payment issues as Issue 9, Covad's Petition for Arbitration identifies them as Issue 8, which is the way I identified them in my direct testimony and the way I identify them here.

1 **III. RESPONSE TO COVAD'S BILLING ISSUE TESTIMONY**

2 **Q. MS. DOBERNECK ARGUES AT PAGES 24 AND 25² OF HER DIRECT**
3 **TESTIMONY THAT PAYING BILLS IN FULL AND DEALING WITH DISPUTED**
4 **AMOUNTS LATER IS NOT ACCEPTABLE TO COVAD. PLEASE COMMENT.**

5 A. Ms. Doberneck cites two related reasons why such an approach is unacceptable to Covad:
6 concerns about cash flow and the loss of interest on the disputed amounts that "Qwest
7 never should have received in the first place." With regard to the first point, Qwest too has
8 concerns about cash flow. While extending the time within which Covad must pay
9 undisputed bills for services rendered may help Covad's cash flow, this extension would be
10 done to the detriment of Qwest and Qwest's cash flow. During the 271 process, the 30 day
11 period was agreed to by CLECs (including Covad) and Qwest as a period that balances all
12 of the interests and concerns, including cash flow concerns, of both the billed and the
13 billing parties.

14
15 Ms. Doberneck's concern about losing the benefit of interest on disputed amounts and her
16 assertion that Qwest would benefit unfairly by accruing interest on amounts it "should have
17 never received in the first place," ignores the fact that Section 5.4.4.2 of the interconnection
18 agreement (which the parties agree upon) provides that if Covad pays a disputed amount
19 and the dispute is resolved in the favor of Covad, Covad is reimbursed both the disputed
20 amount and any associated interest. Ms. Doberneck does not provide any support for her
21 assertion that Qwest would unfairly benefit from accruing interest on disputed amounts.
22 As Section 5.4.4.2 makes clear, Ms. Doberneck's assertion is misplaced:

² All page number references are to the non-confidential version of Ms. Doberneck's testimony.

1 5.4.4.2 If a Party pays the charges disputed at the time of payment or at
2 any time thereafter pursuant to Section 5.4.4.3, and the dispute is resolved
3 in favor of the disputing Party the Billing Party shall, no later than the
4 second Bill Date after the resolution of the dispute: *(1) credit the*
5 *disputing Party's bill for the disputed amount and any associated*
6 *interest* or (2) pay the remaining amount to CLEC, if the disputed amount
7 is greater than the bill to be credited. The interest calculated on the
8 disputed amounts will be the same rate as late payment charges. In no
9 event, however, shall any late payment charges be assessed on any
10 previously assessed late payment charges. [Emphasis added.]

11 **Q. MS. DOBERNECK ALSO ARGUES THAT “COVAD LOSES ITS SOLE FORM OF**
12 **LEVERAGE WHEN IT SIMPLY PAYS A BILL.” DO YOU AGREE?**

13 A. No. This claim ignores the language in the interconnection agreement which addresses the
14 handling of billing disputes and Section 5.18 which sets forth the formal dispute resolution
15 process available when disputes cannot be resolved in the regular course of business. It
16 also ignores the fact that should Covad take issue with the resolution of a dispute, it has the
17 ability to bring a formal complaint to the Commission.

18

19 **Q. ON PAGES 25-28 OF HER TESTIMONY MS. DOBERNECK DESCRIBES THE**
20 **PROCESS OF ANALYZING BILLS AND ASSERTS THE TASK IS NOT "EASY".**
21 **IS THIS A REASON TO EXTEND THE PAYMENT DUE DATE THAT CLECS,**
22 **INCLUDING COVAD, PREVIOUSLY AGREED WAS APPROPRIATE?**

23 A. No. The bill review complexities that Ms. Doberneck describes existed in 2001 at the time
24 of the 271 workshop, where Qwest, Covad and other CLECs reached the consensus billing
25 and collection language that Qwest is proposing for the parties' interconnection agreement.
26 At the time of the 271 workshops Covad already had three years of experience with the
27 Qwest billing process and systems, having entered into an interconnection agreement with
28 Qwest in 1998. Further, since the 271 workshops, Covad has acquired additional

1 experience with the Qwest billing and process systems. As I discuss below, to the extent
2 that Covad now claims that it is experiencing difficulties with Qwest's billing and process
3 systems, these claims belong in another forum and are no reason to extend the 30 day
4 payment due date which was agreed upon with the CLEC community and which is the
5 same due date under which Covad and Qwest have been operating since 1998.

6
7 **Q. ON PAGE 25 AND 26 OF HER TESTIMONY MS. DOBERNECK MAKES MUCH**
8 **OF THE FACT THAT COVAD RECEIVES BOXES OF UNE BILLS AND THAT**
9 **THE NON-RECURRING PORTION OF COLLOCATION BILLING IS NOT**
10 **AVAILABLE ELECTRONICALLY. WHAT PORTION OF QWEST'S BILLING**
11 **TO COVAD IS DONE ELECTRONICALLY?**

12 A. The reality is that approximately **XXXX** of the billing is done electronically. In the case of
13 UNE/Resale services, though a paper bill is provided, Covad receives electronic files for
14 the UNE/Resale bills which provide it with the information that it needs to analyze and
15 review the bills. The only other paper bill Covad is currently receiving is out of the BART
16 system for one-time/non-recurring charges related to collocation. This represents
17 approximately **XXXX** of Covad's monthly billed amounts and consists of approximately 20
18 pages of billing in total, for *all* the Qwest states in which it operates.

19 **Q. DOES MS. DOBERNECK EXPLAIN WHY COVAD BELIEVES IT CANNOT**
20 **REVIEW 20 PAGES OF PAPER BILLS WITHIN 30 DAYS?**

21 A. No. While Ms. Doberneck points out that "the entire non-recurring bill process is manual,"
22 she does not disclose that the bill at issue is approximately 20 pages total for all states, nor
23 does she explain why a properly trained and staffed accounting group cannot review 20
24 pages of bills within 30 days.

1 **Q. WOULD CHANGING THE DEADLINE FOR PAYING THE BILL TO 45 DAYS**
2 **ALLEVIATE THE BILLING PROCESS PROBLEMS COVAD ALLEGES?**

3 A. No. From a process perspective, Qwest would continue to issue bills on a monthly cycle to
4 Covad. Taking 45 days to verify one month's bill, when the next month's bill will be
5 arriving in 30 days, would serve only to put the bill verification process out of synch with
6 the bill payment process. Indeed, under the process proposed by Covad (whereby Covad
7 will take 45 days to validate a bill), when a new bill is generated every 30 days, Covad
8 would soon be months behind in its bill validation.

9

10 **Q. MS. DOBERNECK RAISES CONCERNS ABOUT THE FORMAT OF THE**
11 **QWEST BILLS ON PAGES 27-28 OF HER DIRECT TESTIMONY. IS THIS**
12 **INTERCONNECTION AGREEMENT ARBITRATION THE PROPER PLACE IN**
13 **WHICH TO ADDRESS THESE CONCERNS?**

14 A. No. As a part of the 271 process, CLECs and Qwest agreed to an ongoing Change
15 Management Process (CMP), designed to address process and system issues, including the
16 type of issue raised by Ms. Doberneck here.

17

18 **Q. ON PAGE 27 OF HER TESTIMONY MS. DOBERNECK ARGUES THAT BILL**
19 **ANALYSIS IS COMPLICATED BY THE FACT THAT QWEST FAILS TO**
20 **PROVIDE CIRCUIT ID INFORMATION FOR LINE SHARING ACCOUNTS.**
21 **PLEASE EXPLAIN WHY CIRCUIT ID INFORMATION IS NOT PROVIDED ON**
22 **THE BILLS?**

23 A. The circuit identification field is provided on bills when the circuit ID is the relevant
24 identifier for a particular charge. Bills for Unbundled Loops, Private Lines and similar
25 circuits do contain the circuit ID. In the case of line sharing, however, the service is not

1 circuit based. As a result, the circuit ID is not used as the identification number. Instead,
2 Qwest assigns a unique identification number to the loop over which Covad is providing
3 line sharing. Qwest provides this unique identification number to Covad as a part of the
4 Firm Order Confirmation (“FOC”) that is issued in the service provisioning process. This
5 unique identification number provides Covad with a direct and efficient means of verifying
6 that the service for which Covad has been billed is the service that Covad ordered. This
7 identification number is also a part of the Customer Service Record (“CSR”) that Covad
8 may readily access electronically. This process for billing line sharing, its rationale, and
9 the ready means by which line sharing bills may be validated, have been explained to
10 Covad by Qwest billing personnel.

11
12 **Q. HAS COVAD RAISED THIS CIRCUIT IDENTIFICATION ISSUE IN THE CMP**
13 **PROCESS?**

14 A. No.

15
16 **Q. MS. DOBERNECK ALSO STATES ON PAGE 27 OF HER TESTIMONY THAT “A**
17 **NUMBER OF TIMES” USOCS ARE NOT PROVIDED. IS THE LACK OF USOCS**
18 **A COMMON OCCURRENCE?**

19 A. No. Qwest routinely and regularly provides USOCS on bills for all recurring charges and
20 for many non-recurring/fractional charges. These charges make up the vast majority of
21 Covad’s bills. Ms. Doberneck correctly points out that there are some instances where
22 non-recurring USOCS do not appear on Qwest’s bills. However, contrary to Ms.
23 Doberneck’s assertions, this does not complicate bill validation significantly. First, Qwest
24 provides a description of the charge on the bill even when the USOC is not provided.
25 Thus, Covad knows whether the non-recurring charge being billed is for a “ONE TIME

1 CHARGE FOR INSTALLATION/CHANGE” or a “BASIC INSTALLATION ON
2 ADDITIONAL LOOPS” or a “CHARGE FOR REPAIR VISIT WHEN NO TROUBLE IS
3 FOUND IN TELCO EQUIPMENT” (all actual quotes from recent ASCII-formatted
4 wholesale bills) from the clear description Qwest provides. This description facilitates bill
5 validation.

6
7 Second, since the number of applicable non-recurring USOCs is relatively limited, it is not
8 burdensome to validate the charged amounts to expectations in those limited instances
9 where the USOCs are missing. For example, for two-wire unbundled loops today, there are
10 only seven installation USOCs applicable. In addition, there is a single USOC for the
11 Network Interface Device’s installation, and a single USOC for an order charge. It is not
12 onerous to account for 9 installation USOCs—even manually. These nine USOCs would
13 account for the vast majority of Covad’s unbundled loop installation charges. Even
14 including the very rarely-used USOCs for Design Layout Reports (three USOCs) and
15 excess labor charges (ten USOCs), the task is still quite manageable. Outside of the
16 installation process, Maintenance and Repair charges (the other category of non-recurring
17 charges) involve a similarly small and manageable number of USOCs. Clearly, any
18 company sophisticated enough to provide telecommunication service ought to be able to
19 confirm an order in the limited situations in which a USOC is missing from a bill.

20
21 Third, bill validation does not necessarily require USOC data at all. The entire purpose of
22 bill validation is to determine whether or not charges match what is expected, and if not, to
23 determine why not. So, to do thorough bill validation, Covad must compare the amounts
24 billed for any given service to the expectation. If those amounts match, as they should the

1 vast majority of the time, no further investigation is required. Thus, the lower level of data
2 is simply not required the vast majority of the time using this approach to bill validation.

3
4 **Q. MS. DOBERNECK STATES THAT COVAD MUST GO BACK TO QWEST FOR**
5 **THE USOC INFORMATION BEFORE IT CAN BEGIN BILL VALIDATION.**
6 **HOW MANY TIMES HAS COVAD CONTACTED QWEST REQUESTING**
7 **USOCS FOR NON RECURRING CHARGES?**

8 A. According to the Service Delivery Coordinators designated to work with Covad, only one
9 such inquiry has been received. This occurred in May of 2004.

10
11 **Q. ON PAGE 28 MS. DOBERNECK CITES THE USE OF A COMMON USOC FOR**
12 **MULTIPLE RATE ZONES AS A FACTOR COMPLICATING BILL REVIEW.**
13 **DO YOU AGREE?**

14 A. No. The zone information is implicitly on the bill because the monthly rate being charged
15 is directly related to the particular zone for a state. Although Ms. Doberneck does not
16 explain that Covad may use the USOC to confirm that the rate is correct, the presence of
17 the common USOC and the specific rate on the bill allow for a comparison of the rate with
18 the allowable zone rates for that USOC. This comparison is easy to mechanize. As Ms.
19 Doberneck acknowledges, there are only five different zones to be concerned with.

20
21 **Q. MS. DOBERNECK ALSO STATES ON PAGE 28 THAT ALL DISCONNECTS**
22 **MUST BE RESEARCHED MANUALLY AND INDIVIDUALLY TO MAKE SURE**
23 **THAT THE DATE ON THE DISCONNECT IS CORRECT. DO YOU AGREE**
24 **WITH THAT STATEMENT?**

1 A. No. It may be that Covad chooses to validate disconnects manually. This process,
2 however, is easily mechanized. Since Qwest provides the disconnect date on all of its
3 electronic bills, Covad must simply build a mechanical routine to compare that disconnect
4 date to the disconnect date expected according to Covad's records. That the CLEC
5 industry by and large operates on the commercially standard thirty day payment due date
6 belies Covad's argument that this and other bill validation steps cannot be reasonably done
7 within thirty days.

8

9 **Q. MS. DOBERNECK DEVOTES A SIGNIFICANT PORTION OF HER**
10 **TESTIMONY TO ALLEGED BILLING ERRORS. ARE THE DISPUTED**
11 **PORTIONS OF SECTION 5.4 OF THE INTERCONNECTION AGREEMENT THE**
12 **APPROPRIATE PLACE TO ADDRESS BILLING PERFORMANCE?**

13 A. No. The section of the agreement that is in dispute in this arbitration is titled "Payment,"
14 and addresses the obligations of the billed party to make payments in a timely manner and
15 the actions the billing party may take should payments not be timely. Billing performance
16 issues, such as those alleged by Ms. Doberneck, should be addressed through the Change
17 Management Process or the other resources Qwest has long made available to Covad
18 through the designated Billing Service Delivery Coordinators and Service Managers.
19 Further, to ensure that Qwest has every incentive to provide accurate bills, the parties
20 operate under the Qwest Performance Assurance Plan ("QPAP") which provides for
21 payments to Covad for inaccurate billing. There is a performance indicator, BI-3A, which
22 is calculated each month to determine billing accuracy.

23

24 **Q. ARE THESE QPAP PAYMENTS FOR BILLING INACCURACY OVER AND**
25 **ABOVE THE INTERCONNECTION AGREEMENT PROVISIONS FOR**

1 **DISPUTED AMOUNTS?**

2 A. Yes. In cases of overbilling, Covad will receive credit for the amount of the overbilling,
3 and any associated interest as well as the applicable payment under the QPAP. Clearly
4 Qwest has every incentive to bill as accurately as possible.

6 **Q. ON PAGE 36 OF HER DIRECT TESTIMONY MS. DOBERNECK ASSERTS
7 THAT “QWEST APPARENTLY NOW IS ATTEMPTING TO MODIFY ITS PAP
8 OBLIGATIONS.” HOW DO YOU RESPOND?**

9 A. Ms. Doberneck is apparently referring to Qwest’s plan to not renew the Long Term PID
10 Administration (“LTPA”) process after its initial term ended. The LTPA was voluntarily
11 initiated by Qwest as a forum to facilitate consideration and consensus as to any necessary
12 changes to the performance measurements before the changes were submitted to state
13 commissions. Unfortunately, Qwest’s experience in LTPA was that this forum did not
14 successfully serve the purpose for which it was created. Based upon Qwest’s experience,
15 Qwest believes that discussions on performance measurement issues will be more
16 productive in a less formal business setting. Going forward, Qwest will establish a
17 communications channel whereby CLECs and Qwest can identify and address
18 performance-related issues. At a minimum, this process will allow CLECs to present
19 proposed changes in performance measurements and provide an opportunity to discuss,
20 both individually and collectively with Qwest, issues that are truly impacting their
21 business. If Qwest and one or more CLECs reach consensus on changing PIDs, their
22 consensus proposal will be brought to the commissions for acceptance in the
23 interconnection agreement, the SGAT or the PAPs, depending upon the consensus reached.
24 Parties (CLECs or Qwest) also have the option of bringing to the commissions issues on
25 which the parties cannot reach consensus. Qwest is finalizing the details of its ongoing

1 approach to PID modification and in August will be sharing the plan with the CLECs and
2 commissions. Rather than eliminating a forum, Qwest's intent is to establish a better, more
3 responsive way to address PID improvements. Contrary to Ms. Doberneck's claims, this
4 change does not modify Qwest's PAP obligations.

5
6 **Q. ALSO ON PAGE 28 OF HER DIRECT TESTIMONY MS. DOBERNECK CITES**
7 **COVAD'S PLANS TO PARTNER "MORE AGGRESSIVELY" WITH OTHER**
8 **CLECS TO PROVIDE LINE SPLITTING AND LOOP SPLITTING SERVICES AS**
9 **A REASON WHY COVAD SHOULD NOW HAVE A LONGER TIME PERIOD TO**
10 **PAY ITS BILLS. HOW DO YOU RESPOND?**

11 A. Covad has apparently chosen to change its business strategy and to move to line splitting or
12 loop splitting to provide services. Covad provides no justification for why *Qwest* should
13 have to assume additional risk and deferred payment as a result of a change in Covad's
14 business strategy that does not involve Qwest. That Covad's plans to partner "more
15 aggressively" with other CLECs may require significant coordination between Covad and
16 its new business partners is an issue that must be addressed by those business partners.
17 Covad and its new business partners have no incentive to adopt efficient billing
18 arrangements or to sort out billing issues between themselves if payment *to Qwest* for the
19 service both are receiving from Qwest can be deferred and the business costs and risk of
20 nonpayment shifted to Qwest. In addition, as discussed in my direct testimony, Qwest
21 currently has a number of customers purchasing Line Splitting, a product which allows one
22 company to provide voice service and another company to provide data service over the
23 same line. These customers are operating under the same 30 day payment terms that
24 Covad is disputing here.

25

1 **Q. AT PAGE 30 OF HER DIRECT TESTIMONY MS. DOBERNECK ADDRESSES**
2 **THE IMPORTANCE THE FCC ATTACHES TO TIMELY AND ACCURATE**
3 **WHOLESALE BILLING PROCESSES. HAS THE FCC REVIEWED QWEST'S**
4 **BILLING PROCESSES?**

5 A. Yes. As a part of the 271 approval process the FCC conducted an extensive review of
6 Qwest's wholesale billing processes. The FCC agreed that Qwest's processes satisfied its
7 checklist requirements.

8

9 **Q. WHAT SUPPORT DOES MS. DOBERNECK PROVIDE FOR THE COVAD**
10 **PROPOSAL TO EXTEND THE TIME PERIODS QWEST MUST WAIT BEFORE**
11 **DISCONTINUING ORDERS AND DISCONNECTING SERVICE IN CASES OF**
12 **NON-PAYMENT?**

13 A. Ms. Doberneck offers two arguments to support the proposed extensions: that the current
14 time frames do not allow sufficient time for bill review and are inappropriate given the way
15 Qwest handles disputes. With regard to the amount of time for bill review, this issue is
16 directly related to the number of days between the invoice date and the payment date (Issue
17 8-1); it has nothing to do with how much time Qwest should be required to wait before
18 taking action in cases of non-payment. As for disputes, the language in both Sections 5.4.2
19 and 5.4.3 makes clear that Qwest may discontinue processing orders and disconnect service
20 only in cases of non-payment of *non*-disputed amounts. The Arizona dispute
21 Ms. Doberneck cites, which I address separately below, is a case in point. Nowhere does
22 Covad offer any rationale for *tripling* the amount of time Qwest must wait before it may
23 discontinue processing orders. Similarly, nowhere does Covad offer any rationale for
24 *doubling* the number of days Qwest must wait before disconnecting service. Recent events

1 in the industry, where several CLECs failed to pay Qwest for services, only underscore the
2 importance of allowing Qwest reasonable recourse to limit its risk in cases of non-payment.

3
4 **Q. ON PAGE 34 OF HER DIRECT TESTIMONY, MS. DOBERNECK ASSERTS**
5 **THAT, BASED ON THE QWEST-COVAD BILLING RELATIONSHIP, QWEST**
6 **HAS NO BASIS TO BE CONCERNED THAT COVAD WILL FAIL TO PAY**
7 **UNDISPUTED AMOUNTS ON TIME OR WILL DISPUTE BILLS TO AVOID**
8 **PAYING ON TIME. PLEASE COMMENT.**

9 A. In deciding payment terms, Qwest must consider more than Covad's past payment
10 performance. Although the FCC has recently eliminated the "pick and choose" option,
11 under FCC rules any carrier may still opt into the new Qwest-Covad interconnection
12 agreement in its entirety and receive the extended time frames advocated by Covad here.
13 As a result, Covad's prior payment performance is not the only relevant factor in
14 determining whether it is appropriate to require Qwest to continue to provide services for
15 extended periods even though the bill is undisputed. Further, Covad's prior payment
16 performance may not be predictive of Covad's future payment performance. While Covad
17 cites its prior payment performance as a reason why Qwest need have no concerns about
18 Covad, it simultaneously argues for significant extensions of time frames within which
19 Qwest would have no remedy for Covad's nonpayment. Finally, past payment history or
20 creditworthiness is no basis upon which to depart from the well-established and
21 commercially-reasonable 30 day period for paying for the services that Covad receives.
22 Under Covad's "past payment history and creditworthiness" argument, Covad would have
23 to extend the payment due date for most of its own customers, clearly something it does not
24 do. Indeed, because Covad serves its customers through services it purchases from Qwest,
25 under Covad's proposal, Covad will continue to receive payment from its own customers

1 within 30 days even as it delays well past 30 days the amount of time that Covad must pay
2 Qwest for these services.

3
4 **Q. AT PAGE 32 MS. DOBERNECK ARGUES THAT THERE ARE OTHER BILLING**
5 **PROVISIONS, SUCH AS REQUIRING A DEPOSIT WHEN A CLEC HAS NOT**
6 **DEMONSTRATED A SATISFACTORY PAYMENT HISTORY LIKE COVAD'S,**
7 **THAT WILL PROTECT QWEST IF ANOTHER CLEC OPTS INTO AN**
8 **AGREEMENT WITH THE EXTENDED TIME FRAMES COVAD PROPOSES.**
9 **DO THESE OTHER PROVISIONS PROVIDE QWEST WITH THE**
10 **PROTECTIONS IT NEEDS?**

11 A. No. Often carriers that run into trouble have a satisfactory payment history, but events
12 change. That is why it is important to have provisions in the interconnection agreement
13 that allow for corrective action if events should change. It is ironic that, on page 33, Ms
14 Doberneck would point to Qwest's ability to take a deposit equal to *two months* of charges
15 as justification for her proposal to extend the time when Qwest may begin collection
16 actions well *beyond* two months of non-payment. Qwest's right to a deposit, obviously,
17 would not cover its risk if Covad's proposal were accepted.

18
19 **Q. BASED UPON RECENT EVENTS, ARE QWEST'S CONCERNS REGARDING**
20 **THE EXTENDED TIME FRAMES PROPOSED BY COVAD FOR THESE**
21 **DISPUTED ISSUES HYPOTHETICAL?**

22 A. No. Over the past several years, Qwest has found itself in the position of being left with
23 large receivables when CLECs exited the local exchange market and filed Chapter 7
24 bankruptcy. These recent experiences highlight the need for more, not less, stringent time
25 frames for payment. The extended time frames proposed by Covad, especially considering

1 the ability of other CLECs to opt-in to this agreement, will only unreasonably increase
2 Qwest's financial exposure.

3
4 **Q. MS. DOBERNECK ARGUES THAT THE FACT THAT QWEST HAS BEEN LEFT**
5 **WITH LARGE RECEIVABLES WAS THE RESULT OF QWEST VOLUNTARILY**
6 **EXTENDING PAYMENT TIME TO THE DEFAULTING COMPANIES. PLEASE**
7 **COMMENT.**

8 A. It defies logic for Covad to argue that the receivables problem was created by Qwest
9 voluntarily extending time frames and that therefore the extended time frames proposed by
10 Covad should be adopted. Covad cannot have it both ways, arguing on the one hand that
11 Qwest created the problem because it was too lenient with carriers and then arguing, as Ms.
12 Doberneck does on page 45, that the existing time frames are unreasonable because they
13 give Qwest the "power to destroy" Covad's business. Covad does not attempt to reconcile
14 its assertion that Qwest voluntarily extended deadlines for troubled carriers with its dire
15 warnings of the "power to destroy." As I set forth in my direct testimony, in the six years
16 Qwest has had an interconnection agreement with Covad, it has not discontinued taking
17 Covad orders or disconnected service to Covad.

18
19 **Q. ON PAGES 34-36 OF HER TESTIMONY MS. DOBERNECK REFERS TO AN**
20 **ARIZONA DS3 UDIT BILLING ISSUE. PLEASE COMMENT.**

21 A. As Ms. Doberneck notes in her testimony, the Arizona Commission ordered a rate for DS3
22 UDITs in June 2002. After receiving complaints about the ordered rate, the Commission
23 decided to reexamine the issue. Following a hearing on the matter, the Commission
24 ordered a new rate in October 2003 and further ordered that this rate be made effective

1 retroactively to June 2002. The concern Ms. Doberneck expresses in her testimony has to
2 do with how DS3 UDITs were billed between the time the Commission decided to
3 reexamine the rate and the time it determined the new rate. Based on the original
4 Commission order in effect during this time frame, Qwest billed CLECs using the rate
5 ordered in June 2002. In addition, Qwest calculated bill true-ups back to the effective date
6 of the order using the ordered rate. Qwest properly billed at the Commissioned-ordered
7 rate while the rate was being re-examined and until the Commission ordered a new rate.
8

9 **Q. DID COVAD DISPUTE THE BILLED AMOUNTS DURING THIS TIME FRAME?**

10 A. Yes. The dispute was ultimately resolved with the implementation of the Commission's
11 2003 order and Covad, like all other Arizona CLECs, had their bills adjusted back to June
12 2002.
13

14 **Q. WAS COVAD ASSESSED LATE PAYMENT CHARGES ON THE DISPUTED**
15 **AMOUNTS?**

16 A. No.
17

18 **Q. DID QWEST DEMAND A DEPOSIT FROM COVAD AS A RESULT OF THIS**
19 **DISPUTE?**

20 A. No.
21

22 **Q. DID QWEST STOP TAKING COVAD ORDERS OR DISCONNECT COVAD**
23 **SERVICE AS A RESULT OF THIS DISPUTE?**

24 A. No.
25

1 **IV. SUMMARY/CONCLUSION**

2 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

3 A. The disputed portions of section 5.4 of the interconnection agreement have to do with the
4 obligations of the billed party to make payments in a timely manner and the actions the
5 billing party may take to protect itself when payments are untimely. Qwest's proposed
6 language and timeframes strike a balance between the needs of both parties, as reflected by
7 the fact that these timeframes and language were agreed to by the CLECs (including
8 Covad) during the 271 workshops. In its testimony on payment issues, Covad ignores the
9 notion of balance, ignores the language in other, undisputed portions of the agreement that
10 protects Covad's legitimate concerns and instead focuses only on purported disadvantages
11 to Covad. Covad also raises billing concerns here that are more appropriately addressed
12 through the Change Management Process, the Performance Assurance Plan or the other
13 resources Qwest has long made available to Covad through the designated Billing Service
14 Delivery Coordinators and Service Managers. In the end, Covad offers no compelling
15 reason why the payment due date that the two parties have been operating under since
16 1998, and other terms which were agreed to by all parties during the 271 workshops,
17 should now be modified.

18
19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, it does.