

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

PART B REBUTTAL TESTIMONY

OF

REX KNOWLES

On Behalf of

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

February 7, 2001

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

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

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. The purpose of my testimony is to respond to the testimony submitted by Glenn
8 Blackmon on behalf of Commission Staff and by Larry Richter on behalf of Verizon
9 Northwest Inc, f/k/a GTE Northwest Incorporated (“Verizon”). Specifically, I rebut Dr.
10 Blackmon’s agreement with Qwest’s recommendation that CLECs receive reciprocal
11 compensation at the end office rate when direct trunking exists between a Qwest end
12 office and the CLEC switch, and I respond to Verizon’s proposed charge for converting
13 tariffed services to unbundled network elements (“UNEs”) or UNE combinations.

14 **I. RECIPROCAL COMPENSATION**

15 **Q. WHAT ISSUES DOES XO HAVE WITH DR. BLACKMON’S TESTIMONY ON**
16 **RECIPROCAL COMPENSATION?**

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18 A. XO generally supports the positions of Commission Staff as described in Dr. Blackmon’s
19 testimony with one exception. On pages 20-21 of Dr. Blackmon’s testimony, he agrees
20 with Qwest’s recommendation that CLECs should receive reciprocal compensation at the
21 end office rate, rather than the tandem rate, when a direct trunk group has been
22 established to a Qwest end office. As I discuss in my Response Testimony, such a

1 recommendation not only conflicts with FCC Rule 51.711(a)(3) and Commission
2 arbitration decisions, it is inconsistent with the very basis on which Dr. Blackmon agrees
3 with the recommendation.

4 **Q. WHAT IS THE BASIS OF DR. BLACKMON'S AGREEMENT WITH QWEST'S**
5 **RECOMMENDATION?**

6 **A.** Dr. Blackmon appears to be concerned with "parity" in the compensation for transport
7 and termination of traffic. He states that Qwest routes traffic between customers through
8 its tandem when it serves a customer base over a broad geographic area, and accordingly
9 CLECs are entitled to tandem rate compensation when they transport and terminate traffic
10 over a comparable geographic area. Dr. Blackmon then states that "where there are large
11 volumes of traffic terminating at a single end office, Qwest would use direct end office
12 trunking to deliver that traffic" rather than routing the traffic through the tandem, and
13 "[t]he competitor therefore is entitled to compensation at the end office rate and not the
14 tandem rate." Dr. Blackmon thus appears to believe that because Qwest is *terminating*
15 traffic through a direct connection to its end office, that traffic Qwest is *originating* at that
16 end office should be terminated by the CLEC at the end office rate.

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18 There is no logical connection, however, between the appropriate reciprocal
19 compensation rate and the location of where the calls originate. Reciprocal compensation
20 is intended to compensate a carrier for terminating to its end users calls that are originated
21 by the other carrier. The costs that are recovered through reciprocal compensation are the

1 costs each carrier incurs to terminate traffic. Where the traffic *originates* – whether at a
2 tandem or an end office – has no impact on the costs incurred to *terminate* that traffic.
3 Dr. Blackmon’s observation that *Qwest* terminates traffic delivered via direct trunk
4 groups to its end office thus does not support his conclusion that a CLEC is entitled to
5 compensation at the end office rate when *Qwest* originates and delivers traffic via direct
6 trunk from its end office to the *CLEC* for termination.

7 **Q. WHAT ARE THE CIRCUMSTANCES IN WHICH QWEST AND CLECs**
8 **INSTALL DIRECT END OFFICE TRUNKING?**

9 **A.** There are two basic circumstances in which such trunking is established: (1) when traffic
10 volumes between CLEC customers and *Qwest* customers served by a particular *Qwest*
11 end office reach a certain level; and (2) to avoid call blocking on *Qwest*’s network by
12 using the CLEC’s network to deliver traffic directly to the end office. Most
13 interconnection agreements – including the agreement between *XO* and *Qwest* – require
14 direct trunking to the end office when the traffic originated by, or terminated to, that end
15 office reaches a DS-1 level (512 centum call seconds or CCS) at the peak usage hour. In
16 addition, *XO* has established collocation in many *Qwest* central offices, in part, to avoid
17 facility shortages and congestion at the *Qwest* tandem by delivering traffic directly to the
18 *Qwest* end office. In either circumstance, the CLEC always orders interconnection
19 facilities from *Qwest* (*Qwest* never orders facilities from the CLEC or provisions
20 interconnection facilities without an order from the CLEC), and the CLEC will order
21 direct end office trunking when appropriate.

1
2 Accordingly, I agree with Dr. Blackmon that “where there are large volumes of traffic
3 *terminating* at a single end office, Qwest would use direct end office trunking to deliver
4 that traffic.” Responsive Testimony of B. Glenn Blackmon at 20-21 (emphasis added). I
5 disagree with Dr. Blackmon’s conclusion that the *CLEC* is entitled to compensation at the
6 end office rate merely because *Qwest* is terminating traffic over a direct end office trunk
7 group within that end office. Rather, the *CLEC*’s reciprocal compensation rate is
8 determined according to the geographic scope of its switch, not the geographic scope of
9 the specific Qwest switch to which the *CLEC* switch is interconnected.

10 **Q. DOES DIRECT END OFFICE TRUNKING REDUCE THE GEOGRAPHIC**
11 **SCOPE OF THE CLEC’S TRAFFIC TERMINATION?**

12 **A.** No, it does not. A Qwest customer served by a particular end office can place a local call
13 to a *CLEC* customer located anywhere within the same local calling area, not just to the
14 *CLEC* customers that are within the geographic area served by the Qwest end office.
15 Where direct trunking has been installed, Qwest routes all local calls originating from its
16 end office over those trunks to the *CLEC* switch, and the *CLEC* terminates the calls to its
17 customers anywhere within the local calling area, not just within the area served by the
18 Qwest end office. Qwest is the primary beneficiary of such call routing because Qwest
19 reduces its internal costs to deliver traffic to the *CLEC* by avoiding the need to route the
20 call through the Qwest tandem before delivering the call to the *CLEC* for termination.
21 The *CLEC*, however, provides exactly the same service, performs exactly the same

1 functions, and incurs exactly the same costs regardless of whether Qwest routes the call
2 over a direct trunk group from the Qwest end office or via the Qwest tandem. The CLEC,
3 therefore, remains entitled to the tandem reciprocal compensation rate regardless of
4 whether Qwest routes the call over a direct trunk group from the Qwest end office or via
5 the Qwest tandem.

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7 In other words, a CLEC switch does not change functionality or geographic coverage area
8 based on whether it is interconnected with a Qwest tandem or a Qwest end office. Once
9 the Commission has determined that a CLEC is entitled to reciprocal compensation at the
10 tandem rate pursuant to FCC Rule 51.711(a)(3), therefore, that rate applies – and should
11 continue to apply – to all traffic Qwest delivers to the CLEC for termination, whether via
12 a Qwest tandem or over direct end office trunks.

13
14 **II. UNE CONVERSION**

15 **Q. WHAT ISSUES DOES XO HAVE WITH RESPECT TO VERIZON'S PROPOSED**
16 **CHARGES TO CONVERT SPECIAL ACCESS SERVICES TO UNES?**

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18 A. The charges Verizon has proposed for this conversion are more than double the amount
19 Verizon should be authorized to charge for making what amounts to a billing records
20 change. The circuits are already in place, and the CLEC has already paid a non-recurring
21 charge to order the circuits and have them installed. Indeed, in most instances CLECs
22 have ordered DS-1 and DS-3 circuits out of the ILEC special access tariffs to provide

1 local service because some or all of the rates, terms, and conditions for high capacity
2 loops were not included in the initial interconnection agreements. Accordingly, the only
3 legitimate activities for which a CLEC should be charged is the work necessary to take
4 the conversion order and make the appropriate changes in Verizon's billing records to
5 charge UNE rates, rather than tariff special access rates.

6 **Q. WHAT SPECIFIC ELEMENTS OF VERIZON'S PROPOSED CHARGES**
7 **WOULD YOU RECOMMEND THAT THE COMMISSION DISALLOW?**

8 **A.** Verizon proposes four elements that comprise its proposed "Migration As Is" charges:
9 (1) Migration As Is; (2) Record Order; (3) OSS – Transaction Specific Costs; and (4)
10 OSS – Transition Costs. Only the Migration As Is element should be charged, and the
11 charge for that element should be substantially reduced.

12 **Q. WHAT REDUCTIONS WOULD YOU RECOMMEND TO THE "MIGRATION**
13 **AS IS" ELEMENT?**

14 **A.** Verizon witness Larry Richter testifies that the "Migration As Is" "ordering costs were
15 taken from the previously submitted cost study that included the costs for EEL order
16 creation." Verizon Phase B Supplemental Direct Testimony of Larry Richter at 17. John
17 Klick and Tom Weiss have previously addressed deficiencies with this cost study in their
18 previously filed testimony on behalf of the Joint CLECs, and I will not repeat those
19 criticisms. Verizon's use of this study to determine costs to convert retail services to
20 UNEs, however, suffers from another fundamental flaw. The times (and associated costs)
21 for conducting these activities are based on receiving, processing, and provisioning an

1 initial order for circuits, which presumably requires processing a significant amount of
2 information identifying the location, nature, and other characteristics that will allow for
3 provisioning, as well as billing for, those circuits. Circuits to be converted to UNEs or
4 UNE combinations, however, have already been provisioned, and Verizon is already
5 billing for these circuits. The information Verizon needs to convert an existing circuit to
6 a UNE or UNE combination thus should be no more than a circuit identification number
7 or similar information contained in existing billing records. The time (and associated
8 cost) required to process this minimal information should be far less than the time
9 Verizon needs to process an order for a circuit that has yet to be provisioned.

10
11 Verizon also includes costs for other functions, none of which are fully explained but
12 most of which appear to relate to processing orders for new circuits, not changing the
13 billing for existing circuits. “Jeopardies” and “Escalations” should refer to problems with
14 timely provisioning, not a billing conversion. A billing change should never require a
15 jeopardy status or escalation, not the least because the new UNE rates should take effect
16 as of the date of the order, not the date on which Verizon modifies its bills, providing
17 Verizon with ample incentive to make the billing change promptly. In addition, functions
18 such as determining a “Meetpoint” and handling “Projects” have already been completed
19 as part of the prior provisioning process. The Commission, therefore, should not permit
20 Verizon to include costs for these subelements that represent functions Verizon will not

1 undertake or that it has already undertaken when provisioning the retail service.

2
3 Finally, Verizon includes a subelement for calculating the termination liability allegedly
4 applicable to early termination of any special access service contract. As I discussed in
5 my Response Testimony, Verizon should not be permitted to impose any termination
6 liability as long as the contract rate is at or above the UNE rate(s) for the same circuits.
7 Correspondingly, Verizon is not entitled to a charge to calculate that liability. Even if
8 Verizon were entitled to impose termination liability, the contract or tariff rates and
9 penalties should include any costs associated with calculating the termination liability.
10 The Commission, therefore, should deny Verizon's request to double recover any such
11 costs.

12 **Q. WHY WOULD YOU DISALLOW THE RECORD ORDER ELEMENT?**

13 **A.** Verizon's supporting documentation is far from clear, but the functions included in this
14 element appear to duplicate the order entry and quality checks that are included in
15 Migration As Is. *See* Ex. No. ____ (LR-5C) Phase B at Section A2, page 8. CLECs
16 should not pay twice for the same functions.

17 **Q. WHAT ABOUT THE OSS ELEMENTS?**

18 **A.** The parties addressed Operations Support Systems ("OSS") issues in Part A of this
19 docket, and I will not repeat that discussion here. I note, however, that many of the
20 subelements of "Migration As Is" would not be necessary if flow-through electronic order

1 processing were available, and CLECs should not pay for both the manual order
2 processing Verizon currently uses and the costs of developing electronic order processing
3 that Verizon has yet to deploy.

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

5 **A.** Yes, it does.