

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of Qwest’s Petition to Modify the Requirements of U-85-23 and UT-990976 to Discontinue Qwest’s Designation as the IntraLATA Designated Carrier for Private Line Services for Certain Independent Companies ) DOCKET NO. UT- QWEST’S PETITION TO MODIFY REQUIREMENTS OF U-85-23 AND UT-990976 )

**I. NATURE OF THE PROCEEDING**

1 Qwest Corporation (Qwest)<sup>1</sup>, hereby submits this petition requesting the Commission to issue an order modifying the requirements of Cause No. U-85-23 and Docket No. UT-990976, and determining that Qwest no longer has an obligation to act as the designated carrier of intrastate, intraLATA private line services for the following independent telephone companies: Asotin Telephone Company, Lewis River Telephone Company, Inc., and McDaniel Telephone Company (collectively, “the TDS companies”), and Ellensburg Telephone Company and YCOM Networks, Inc. (collectively, “the Fairpoint companies”).

2 These carriers do not object to assuming responsibility for intrastate, intraLATA private line services in their serving territory, so long as they receive information from Qwest to enable them to bill the end-users and so long as the parties have a workable understanding of the processes that will be followed for jointly provided circuits after Qwest is no longer the

<sup>1</sup> Qwest Corporation is the successor to U S WEST Communications, Inc., which was the successor to PNB (Pacific Northwest Bell) in Washington.

designated provider. To that end, Qwest is working with these carriers on issues pertaining to the handling of customer billing information and the establishment of procedures and processes for transition to and operation in an environment where Qwest is no longer the designated carrier.

3 Qwest asks that the Commission confirm that as of a date certain, Qwest is no longer obligated as the designated carrier for those services, and that those customers may be transitioned to an arrangement where each carrier bills the end-user for its own portion of the circuit. This arrangement is often referred to as a “meet point billing” arrangement, or a “multiple bill, multiple tariff” (“MBMT”) arrangement. This is in contrast to the arrangement currently in place, where the customer receives a single bill from Qwest.

## II. DISCUSSION

### A. Background

4 Prior to the divestiture by AT&T of the Bell Operating Companies in 1983, the Washington telecommunications industry began working to develop an IntraLATA Telecommunications Plan (ITP) to replace the settlement processes that had been administered by AT&T through its operating companies such as Pacific Northwest Bell. The ITP also contained certain terms regarding the provision of intrastate, intraLATA toll and private line services, which the Commission restated in its 18<sup>th</sup> Supplemental Order in Cause No. U-85-23 as follows:

I. In the two Washington LATAs and the Washington portion of the Portland, Oregon, LATA, PNB [Pacific Northwest Bell, now U S WEST] shall be designated the carrier for switched intraLATA toll, (Bell to Bell, B-B), (Bell to Independent, B-I), and (Independent to Independent, I-I).

It is PNB’s responsibility to:

A. Design and develop the intraLATA toll rates. PNB will continue to serve in its present role as the designated carrier of intraLATA toll among its own exchanges, among its exchanges and

those of other local exchange companies and among the exchanges of the other local exchange companies, and to continue to serve as “carrier of last resort” for intraLATA toll customers not served by other intraLATA carriers. These roles do not preclude other carriers from the intraLATA toll market, or preclude the other local exchange companies from becoming the carrier of toll traffic to or from their exchanges. As designated carrier, PNB will file toll tariffs in which other local exchange companies may, but are not obligated, to concur. These responsibilities of PNB are in the public interest and are not anti-competitive.

- 5 Pursuant to the 17<sup>th</sup> and 18<sup>th</sup> Supplemental Orders in Cause No. U-85-23, PNB, now Qwest, was the designated carrier for intraLATA toll in its own service territory as well as for the customers of the independent telephone companies. U-85-23 was the Washington Commission proceeding relating to the question of how local exchange companies would be compensated for the joint provision of intraLATA toll service in the state.
- 6 In 1994, GTE Northwest, Incorporated (now Verizon Northwest, Inc. and referred to in this Petition as Verizon) accepted responsibility for private line service along with an assumption of responsibility as primary toll carrier provider for intraLATA toll. See, *WUTC v. GTE Northwest*, Docket Nos. UT-921462, 921463, 921464, and 921465; Third Supplemental Order, January 28, 1994. The same thing occurred when United of the Northwest, Inc. d/b/a Sprint (“Sprint”) accepted responsibility for its toll services.
- 7 On August 3, 1999, in Docket No. UT-990976, U S WEST petitioned to have the designated carrier obligation discontinued as to intraLATA toll and private line services with respect to the remaining ILECs in Washington (those other than Verizon and Sprint). U S WEST subsequently modified its petition to withdraw the request as to private line services. The Commission granted the petition to discontinue the designated carrier obligation for intraLATA toll (with certain conditions) in an order dated September 28, 1999.

**B. Present Circumstances in Washington**

8 Private line services are included in Qwest’s designated carrier obligation under U-85-23, and it is this obligation that Qwest seeks to have modified in this proceeding. There are no technical, legal, or policy reasons that Qwest continue in its role as the designated carrier of jointly provided private line services with the Fairpoint and TDS companies, and the requirement should thus be discontinued. Indeed, the Commission acknowledged that the independent companies could assume responsibility for their portions of the circuits at any time they wanted to, and Verizon and Sprint did so many years ago.<sup>2</sup> In Washington today, more than 50% of jointly provided circuits where Qwest has a portion of the circuit are billed under a MBMT arrangement.

9 Similar to the rationale that supported releasing Qwest from its designated carrier responsibility for intraLATA toll in Docket No. UT-990976, it is not appropriate in a competitive environment to require that one company serve as the designated carrier for a particular product. Indeed, the Commission recognized this in U-85-23, explicitly stating that when private line services became competitively classified, as many of Qwest’s services now are, Qwest’s obligation would come to an end, and the parties would be free to enter into contractual arrangements if they wished.<sup>3</sup>

10 Furthermore, in the past, when carriers in Washington have begun providing their own intraLATA toll (as Verizon and Sprint have), those carriers have also assumed responsibility for their own portion of jointly provided private line services.

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<sup>2</sup> After describing PNB’s role in designing and developing toll rates and providing toll service the Commission stated “[t]hese roles do not preclude other carriers from the intraLATA toll market, or preclude the other local exchange companies from becoming the carrier of toll traffic to and from their exchanges.” Cause No. U-85-23, page 23 of the 18th Supplemental Order.

<sup>3</sup> “If PL is designated a competitive service or deregulated, such jointly provided PL will be compensated by contractual agreements among the affected LECs and PNB.” Cause No. U-85-23, page 28 of the 18th Supplemental Order.

- 11 Qwest has retained responsibility for its own portion of the jointly provided services with Verizon and Sprint. Customers who obtain jointly provided private line receive a bill from each carrier on a meet-point-billing basis. Thus, many private line customers in Washington are billed on this basis today. For example, any customer who purchases private line between Qwest's and Verizon's serving territories in the highly concentrated Seattle/Everett corridor are billed on this basis by Qwest and Verizon. Alternatively, customers may also obtain inter or intrastate private line services from other carriers who offer those services, such as AT&T, MCI, or one of the many CLECs in the state.
- 12 The move to a meet-point-billing arrangement need not interrupt a customer's service, nor will it change the physical network arrangements that are in place for the provision of such service. The only difference is that each carrier bills the customer for its own portion of the circuit, as opposed to the independent carrier billing Qwest for their portion of the circuit and Qwest billing the customer for the entire circuit at its rates. Qwest does acknowledge that some customers may see either an increase or decrease in the price they pay for the service.
- 13 Further, it should be noted that, today each independent telephone company functionally provisions its portion of the jointly provided intraLATA private line services that are in its own territory, and that no physical changes in the routing or service would be required, only a change in the inter-company compensation arrangements between the companies, and possibly some billing system changes by the ILEC to bill the end user for its portion of the circuit. Furthermore, there are certainly no barriers to entry, as all of these markets are currently being served by other carriers for inter and intraLATA private line services.<sup>4</sup> There are simply no legal or policy reasons to continue to require Qwest to operate as the default carrier. In addition, Qwest does not now and never has functioned in a designated carrier role for CLECs

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<sup>4</sup> The move to a MBMT billing arrangement will further competition in these markets, and will send the proper price signals to consumers. Thus, such a move is appropriate and encouraged under the policies of the state that favor competition in the telecommunications markets.

who might provide private line services in the state.

14 Thus, with regard to private line services, there clearly does not need to be a designated carrier. To the extent that private line services are currently offered in the territory of the Fairpoint and TDS companies, those carriers have facilities in place over which those services are provisioned. The only change that will result from removal of the designated carrier obligation on Qwest is a billing change.

**C. Qwest's Experience in Other States**

15 For private line services, Qwest operates under a meet-point-billing arrangement with all independent telephone companies in its 13 other states. Furthermore, all of Qwest's interstate interLATA private line circuits in all jurisdictions, including Washington, are billed on a meet-point basis. All LECs involved in providing the circuit bill the customer separately under separate interstate tariffs. Note that the physical endpoints of the circuit provided by Qwest are always intraLATA, but the jurisdiction is based on the ultimate destination of the traffic.

16 In most jurisdictions, the interstate meet-point-billing arrangements have been in place since divestiture. Qwest has had meet-point billing with Sprint and Verizon in Washington since those carriers elected to carry their own toll. Qwest's MBMT billing arrangements are set forth in its private line transport tariff, WN U-41, Section 2.4.4, which is included as Attachment A to this petition. Many ILECs concur in NECA #5 tariff, which establishes the MBMT arrangement as the default arrangement.

**D. Implementation**

17 Qwest understands that some brief period of time may be necessary for transition and implementation, including time necessary to establish meet-point billing arrangements for private line services. Thus, Qwest proposes that it be relieved of its obligation immediately,

but that it will implement the order and exit the market no later than on October 1, 2005 for the TDS companies, and November 1, 2005 for the Fairpoint companies. Qwest commits to work with these independent telephone companies to transition to MBMT billing, including the sending of customer notice at least 30 days in advance of the transition dates.

### III. RELIEF REQUESTED

- 18 WHEREFORE, Qwest respectfully requests that the Commission issue an order:
- 19 Modifying the requirements of Cause No. U-85-23 and Docket No. UT-990976 and determining that Qwest is no longer obligated to act as the designated carrier for intraLATA private line for the independent telephone companies identified in this petition;
- 20 Stating that for all affected customers, Qwest's obligation to act as the designated carrier for intraLATA private line shall cease effective with the date of the Commission order, and may be implemented beginning with the first billing cycle after November 1, 2005 for the Fairpoint companies and October 1, 2005 for the TDS companies;
- 21 Stating that for all affected customers, Qwest and the independent telephone companies named in this petition be permitted to send one customer notice regarding the change to MBMT no later than 30 days prior to implementation; and
- 22 Stating that the billing changes to MBMT as agreed on by Qwest and the independent companies named in this petition shall become effective on the timeline set forth in the customer notice.

DATED this 11th day of August, 2005.

QWEST

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