# 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

## RESPONSE TESTIMONY OF KAREN A. STEWART

## ON BEHALF OF

# **QWEST CORPORATION**

**Issue 1 – Retirement of Copper Facilities** 

August 2, 2004

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# I. <u>OVERVIEW</u>

2	Q.	PLEASE STATE YOUR NAME.
3	A.	My name is Karen A. Stewart. I filed direct testimony in this proceeding on July 15,
4		2004. I describe my background and job responsibilities with Qwest Corporation in
5		that testimony.
6		
7	Q.	WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?
8	A.	My rebuttal testimony addresses the direct testimony of Covad witness, Megan
9		Doberneck, relating to Issue 1 – Retirement of Copper Facilities. In particular, I
10		respond to Ms. Doberneck's assertions that the conditions Covad seeks to impose on
11		Qwest's right to retire copper facilities are consistent with the FCC's rulings in the
12		Triennial Review Order ("TRO")1 and would not affect Qwest's economic incentive to
13		deploy fiber facilities. As I discuss below, Covad's proposal is not consistent with the
14		TRO, as the FCC considered and rejected imposing the types of conditions that Covad
15		is seeking. The only requirement the FCC imposed is that incumbent local exchange
16		carriers ("ILECs") must comply with the FCC's notice requirements relating to network
17		modifications when they retire copper facilities, which Qwest clearly does.
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19		As I also address below, Covad's proposals reveal disregard for the FCC's clearly stated
20		policy of promoting the deployment of fiber facilities. In the TRO, the FCC recognized
21		that it has a Congressionally-mandated obligation to promote fiber deployment so that

Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, 18 FCC Rcd. 16978 ¶ 195 (2003) ("TRO"), aff'd in part and rev'd and vacated in part, U.S. Telecom Association v. FCC, 359 F.3d 554 (D.C. Cir. 2004) (" $USTA\ II$ ").

consumers can have broad access to advanced telecommunications services.<sup>2</sup> A critical component of the FCC's effort to meet this obligation is its decision not to require ILECs to provide unbundled access to fiber-to-the-home ("FTTH") loops and its related decision confirming the ILECs' right to retire copper loops that are replaced by fiber facilities.<sup>3</sup> Covad's testimony makes it clear that Covad's proposal relating to copper facilities disregards this important policy objective and that, in Covad's view, this Commission should be unconcerned about promoting the deployment of fiber facilities. However, promoting the deployment of these facilities and making advanced telecommunications services widely available to consumers are critical objectives of the Act and sound public policy. The Act and the FCC's pronouncements do not permit undermining these objectives through the type of onerous retirement conditions that Covad is proposing.

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# II. ISSUE 1 – RETIREMENT OF COPPER FACILITIES

- Q. ON PAGE 21 OF HER TESTIMONY, MS. DOBERNECK ASSERTS THAT
   COVAD'S PROPOSAL RELATING TO THE RETIREMENT OF COPPER
   FACILITIES IS CONSISTENT WITH THE FCC'S RULINGS RELATING TO
   THIS ISSUE IN THE TRO. IS HER ASSERTION CORRECT?
- A. No. In section 9.2.2.3.1 of its proposed interconnection agreement ("ICA"), Covad proposes to condition the retirement of copper facilities on Qwest providing an alternative service over a "compatible facility" to Covad or its end-user. Under Covad's

 $<sup>^{2}</sup>$  TRO at ¶ 278.

<sup>3</sup> *Id*.

1 proposal, this alternative service would be required to not "degrade the service or 2 increase the cost" to Covad or its end-user. These conditions are not in the TRO and 3 are similar to the types of conditions the FCC considered and rejected. 4 5 In the TRO proceeding, some parties requested that ILECs be prohibited from retiring 6 copper loops unless they take "transitional measures" that would give CLECs some 7 form of continued access to copper loops or provide CLECs with access to ILEC 8 broadband facilities.<sup>4</sup> The FCC rejected these proposals, choosing instead to require 9 only that an ILEC provide notice of its intent to retire specific copper facilities so that a 10 CLEC can object to the FCC. The FCC found that its notice requirements would "serve 11 as adequate safeguards." Covad's proposed conditions on Owest's retirement right 12 clearly go far beyond any requirements imposed by the FCC and therefore are not, 13 contrary to Ms. Doberneck's statement, consistent with the TRO. 14 15 MS. DOBERNECK ALSO SUGGESTS AT PAGE 21 OF HER DIRECT Q. 16 TESTIMONY THAT COVAD'S PROPOSAL IS CONSISTENT WITH THE 17 PROCEDURES THE FCC ADOPTED RELATING TO THE RETIREMENT OF 18 COPPER FACILITIES. IS SHE CORRECT? 19 A. No. In the section of the TRO addressing this issue, the FCC ruled first that ILECs can 20 retire copper loops and subloops without obtaining regulatory approval. After

<sup>&</sup>lt;sup>4</sup> *Id.* at ¶ 281 & n.822 and ¶ 291 & n.839.

<sup>&</sup>lt;sup>5</sup> *Id.* at ¶ 281. While the FCC concluded that CLECs are not impaired without access to FTTH loops, it ruled that "in fiber loop overbuild situations where the incumbent LEC elects to retire existing copper loops . . . the incumbent LEC [must] offer unbundled access to those fiber loops, and in such cases the fiber loops must be unbundled for narrowband services only." *Id.* at ¶ 273. Thus, if an ILEC retires a copper loop in a fiber-to-the-home overbuild situation, it has an obligation to provide an unbundled voice channel for narrowband service only – not for broadband service. An "overbuild" situation is distinguished from a newly deployed or "greenfield" fiber loop that does not replace a copper loop. *Id.* 

confirming this basic right, the FCC then established a process for CLECs to object to the retirement of a copper loop after an ILEC gives notice of its intent to retire the facility. All such objections, the FCC stated, will be automatically denied after 90 days unless the FCC determines that the retirement will deny CLECs "access to the loop facilities required under our rules . . . . "6 Ms. Doberneck ignores entirely the first part of this ruling – that ILECs have a basic right to retire copper loops without obtaining regulatory approval and without complying with the types of conditions that Covad is proposing. Instead, Covad is attempting to convert a CLEC's procedural right to object to the retirement of a copper loop into a *substantive* restriction on the ILEC's decision to retire the loop in the first instance. This is a distorted reading of the TRO that is plainly inconsistent with the FCC's fundamental ruling confirming the ILECs' right to retire copper loops. Ms. Doberneck's testimony does not even attempt to link this procedural right to Covad's proposal that Owest be prohibited from retiring a copper loop unless it provides an undefined "alternative service" over an undefined "compatible facility." Indeed, there is no mention of these conditions in the procedural ruling Ms. Doberneck cites or anywhere else in the FCC's discussion of this issue in the TRO. DOES COVAD'S PROPOSED ICA LANGUAGE IMPLEMENT THE Q. PROCEDURAL REQUIREMENT THAT MS. DOBERNECK CITES AT PAGE 21 OF HER DIRECT TESTIMONY? A. No. Ironically, while Ms. Doberneck relies heavily on this procedural language as a

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<sup>6</sup> *Id.* at ¶ 282.

	vehicle to support Covad's substantive demand for alternative facilities, Covad has
	omitted the language from its ICA proposal and has proposed striking it from Qwest's
	proposed ICA. In section 9.2.1.2.3 of the ICA, Qwest tracks the ruling in the TRO by
	establishing that (1) when Qwest decides to retire a copper loop, it will provide notice
	of the retirement, (2) Covad will have the right to file an objection to the retirement
	with the FCC, and (3) any objection will be deemed denied after 90 days unless the
	FCC rules otherwise within the 90 days. If the procedural ruling in the TRO truly
	imposed the substantive restrictions that Covad now claims, Covad no doubt would
	have included language in its proposed ICA implementing that ruling. The fact that
	Covad did not and is also opposing Qwest's language implementing the ruling says
	much about the real meaning of the ruling. Covad's omission of this language also
	reveals another flaw in its proposal. The procedures that the FCC established are an
	important, necessary part of the process for retiring copper loops that protects the rights
	of CLECs and ILECs alike, and, as such, they should be set forth clearly in the ICA.
	Covad's exclusion of this language is inconsistent with the TRO and creates
	unnecessary ambiguity about the parties' procedural rights.
Q.	WHAT DOES MS. DOBERNECK'S TESTIMONY REVEAL ABOUT
	WHETHER COVAD CONSIDERED THE IMPORTANCE OF
	ENCOURAGING THE DEPLOYMENT OF FIBER FACILITIES IN
	FORMULATING ITS POSITION RELATING TO THE RETIREMENT OF
	COPPER FACILITIES?
A.	Ms. Doberneck's testimony confirms that Covad has disregarded the FCC's clearly
	stated policy objective of encouraging the deployment of fiber facilities. In the <i>TRO</i> ,

the FCC emphasized the importance of fiber deployment in ruling that ILECs are

generally not required to unbundle FTTH loops:

Simply put, delivering broadband service is impossible without a transmission path to the customer's premises that supports broadband capabilities. While copper loops enable carriers to deliver xDSL-based broadband services, *FTTH loops significantly enhance the broadband capabilities a carrier can deliver to consumers.* Thus, we determine that, particularly in light of a competitive landscape in which competitive LECs are leading the deployment of FTTH, removing incumbent LEC unbundling obligations on FTTH loops will promote their deployment of the network infrastructure necessary to provide broadband services to the mass market.<sup>7</sup>

In view of this and similar statements from the FCC about the importance of fiber deployment to consumer welfare,<sup>8</sup> Ms. Doberneck's statement at page 19 of her testimony that "[f]iber deployment does not necessarily result in any meaningful consumer benefit" should not be well taken. Covad's position is not only at odds with the FCC, it also is contrary to the common understanding in the telecommunications industry about the benefits of fiber. The statement makes it clear that Covad paid this important policy objective no regard in developing its position and proposed ICA language relating to copper retirement.

- Q. DOES QWEST'S PROPOSED ICA LANGUAGE GO BEYOND THE REQUIREMENTS OF THE *TRO* IN AN ATTEMPT TO ACCOMMODATE COVAD'S DESIRE FOR CONTINUED ACCESS TO COPPER FACILITIES?
- A. Yes. In addition to including the retirement notice requirements established by the *TRO*, Qwest's proposed language for sections 9.2.1.2.3.1 and 9.2.1.2.3.2 provides

*Id.* at  $\P$  278 (emphasis added).

<sup>8</sup> See, e.g., Id. at ¶¶ 234, 236.

protections to Covad that are not required by the TRO. Owest's language establishes that Qwest (1) will leave copper loops and subloops in service where it is technically feasible to do so and (2) will coordinate with Covad the transition of new facilities "so that service interruption is held to a minimum." In addition to going beyond the requirements of the TRO, these commitments respond directly to Covad's concern that the retirement of copper facilities will cause Covad's customers to experience service disruptions. Q. DOES MS. DOBERNECK'S TESTIMONY SUPPORT COVAD'S CLAIM THAT THE RETIREMENT OF COPPER FACILITIES WILL LEAD TO SIGNIFICANT SERVICE DISRUPTIONS FOR COVAD'S CUSTOMERS? No. On the contrary, Mr. Doberneck emphasizes at pages 14-15 of her testimony that A. no Covad customers have yet been affected by Qwest's replacement of copper loops with fiber and that "only a handful of customers" could be affected by Qwest's retirement of copper facilities. She states that Covad has similarly experienced minimal impact in BellSouth's region even though, according to her testimony, BellSouth "has been far more aggressive than Owest in replacing copper with fiber."9 GIVEN THE VERY LIMITED SCOPE OF ANY POTENTIAL SERVICE Q. DISRUPTIONS RESULTING FROM OWEST'S RETIREMENT OF COPPER LOOPS, IS IT REASONABLE FOR COVAD TO PROPOSE THE RETIREMENT CONDITIONS IT IS SEEKING? A. No. Under Covad's proposal, every time Qwest retires a copper loop that is serving a

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<sup>9</sup> Doberneck Direct at 14.

Covad customer, it would be required to provide an "alternative service" over a "compatible facility." Although Covad does not define this "alternative service," providing such a service would almost certainly require Qwest to incur costs that Covad proposes Owest would not be entitled to recover. It would be illogical to impose such an ambiguous and potentially costly requirement when, as Ms. Doberneck emphasizes, Covad does not expect any significant problems resulting from Owest's retirement of copper loops over the remaining few years of grandfathered line sharing arrangements. Moreover, as I discuss in my direct testimony, Covad's requirements would reduce Qwest's incentive to deploy fiber facilities. 10 If Qwest is faced with the costs of either continuing to maintain copper facilities or providing an "alternative service" over "compatible facilities" each time it considers whether to replace copper facilities with fiber, the economics of that decision will be changed in a way that will make the deployment of fiber less likely. That disincentive is inconsistent with the Act's objective, as set forth in section 706, of increasing the deployment of advanced telecommunications facilities. It would be nonsensical to create this disincentive given Covad's acknowledgement that it does not expect Qwest's retirement of copper loops to lead to any significant service disruptions.

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Q. DOES MS. DOBERNECK'S TESTIMONY PROVIDE ANY ADDITIONAL INFORMATION CONCERNING WHETHER COVAD'S PROPOSED

23 CONDITIONS ARE CONSISTENT WITH THE GOAL OF INCREASING

<sup>10</sup> Stewart Direct at 7.

#### **NETWORK EFFICIENCY?**

Yes. Ms. Doberneck demonstrates the inefficiency of Covad's proposal. At page 5 of her direct testimony, she acknowledges that "the maintenance costs for fiber cable are much lower than they are for copper, resulting in long-term cost savings once fiber and the associated equipment is in place." Under Covad's proposal, if Qwest chose not to provide an "alternative service" upon deploying fiber facilities, it would be required to incur *both* the substantially higher maintenance costs for copper and the lower maintenance costs for fiber. That result would be very inefficient and would further reduce Qwest's incentive to deploy fiber. Qwest should not be encumbered by conditions that prevent it from realizing the network and cost efficiencies that can be achieved by deploying fiber facilities.

A.

A.

# Q. IS MS. DOBERNECK CORRECT IN SUGGESTING AT PAGE 20 OF HER TESTIMONY THAT COVAD'S PROPOSED CONDITIONS WILL PRESERVE CONSUMER CHOICE?

No. Ms. Doberneck is viewing "consumer choice" from a perspective that is too narrow. She is focusing on the choice of what is, by her own acknowledgement, only a "handful" of customers at most. The more relevant perspective is how the deployment of fiber facilities affects overall consumer choice, not just the choice of a very small number of individual consumers. From that perspective, it is clear that the replacement of copper facilities with fiber significantly adds to consumer choice, as the deployment of fiber substantially increases the bandwidth that is available and allows a carrier to deploy voice, data, and video services over a single loop. Ms. Doberneck herself acknowledges that the additional bandwidth provided by fiber increases competition, and in turn consumer choice, when she states at page 5 of her direct testimony that it

allows Qwest "to compete with the cable companies for virtually all the services cable customers generally subscribe to." It is this type of increased competition, brought about through the deployment of fiber, that generates true facilities-based competition and increased consumer choice.

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Moreover, even for the handful of Covad customers that potentially could be affected by the retirement of copper loops, it is not at all clear that they would lose "consumer choice" by being unable to obtain service from Covad. As I discussed above, Qwest has committed to Covad that it will leave copper loops in service when doing so is technically feasible. That commitment reduces the chances of Covad being unable to continue to provide service to its end-users. In addition, even if Qwest does not leave copper loops in service, Covad can continue providing service to its customers served over those loops by deploying remote DSLAMs. While Ms. Doberneck asserts at page 8-9 of her testimony that it is cost-prohibitive for Covad to deploy DSLAMs, in the TRO, the FCC specifically sought to promote CLEC investment in remote DSLAMs and other next-generation network equipment. In ruling that ILECs do not have to unbundle packetized fiber loops, the FCC found that giving CLECs access to copper subloops instead of packetized fiber loops would "promote[] competitive CLEC investment in next generation equipment (e.g., packet switches, remote DSLAMs, etc.) and transmission facilities (e.g., fiber loop facilities built to points in incumbent LEC networks closer to the home)."11 Thus, the FCC seems to believe that it is economically feasible for CLECs to deploy remote DSLAMs.

<sup>11</sup> *TRO* at ¶ 291.

1	Q.	IN HER DISCUSSION OF "RETIREMENT OF COPPER FACILITIES," MS.
2		DOBERNECK STATES ON PAGE 4 OF HER TESTIMONY THAT PRIOR TO
3		THE TRO, COVAD "COULD PROVIDE DSL SERVICE TO END USERS
4		OVER HYBRID COPPER-FIBER LOOPS IF A PACKET SWITCHING
5		FUNCTIONALITY AN ILEC DSLAM EXISTED ON THAT LINE." IS
6		THAT STATEMENT COMPLETE?
7	A.	No. Ms. Doberneck's statement seems to imply that prior to the TRO, Covad had
8		access to unbundled packet switching ("UPS") if Qwest had deployed UPS. However,
9		in the UNE Remand Order, the FCC ruled that ILECs are not required to provide access
0		to UPS except in limited circumstances:
11 12 13 14 15 16 17 18 19 20		We decline at this time to unbundle the packet switching functionality, except in limited circumstances. Among other potential factors, we recognize that the presence of multiple requesting carriers providing services over their own packet switches is probative of whether they are impaired without access to unbundled packet switching. The record demonstrates that competitors are actively deploying facilities used to provide advanced services to serve certain segments of the market – namely, medium and large business – and hence they cannot be said to be impaired in their ability to offer service, at least to these segments without access to the incumbent's facilities. <sup>12</sup>
22		Under this ruling, Covad was required to place a DSLAM at a remote terminal where
23		hybrid loops were deployed if Qwest had deployed a DSLAM at a remote terminal.
24		Covad was entitled to UPS in this scenario only if, among other criteria, Qwest had
25		deployed a remote DSLAM while concurrently not permitting Covad to deploy its own
26		remote DSLAM. Ms. Doberneck's statements suggest that under the terms of the UNE

Third Report and Order and Fourth Further Notice of Proposed Rulemaking, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, 15 FCC Rcd 3696 at ¶ 306 (1999) ("UNE Remand Order").

1 Remand Order, Covad would never have been required to locate a DSLAM at a remote 2 terminal and was entitled to access to UPS. That is not a correct statement of the 3 FCC's pre-TRO rules.<sup>13</sup> 4 5 Q. AT PAGE 8 OF HER TESTIMONY, MS. DOBERNECK STATES THAT SHE 6 CANNOT UNDERSTAND HOW OWEST COULD BE UNSURE OF THE 7 MEANING OF "ALTERNATIVE SERVICE" AS USED IN COVAD'S 8 PROPOSED ICA LANGUAGE? HAS COVAD DEFINED THAT TERM? 9 No. Covad has not defined what "alternative service" Qwest would be required to A. 10 provide under Covad's proposal before retiring a copper loop. Without a definition of 11 that term, Owest would have no way of knowing under the ICA what alternative 12 service to provide and whether any such service would meet the requirements of the 13 ICA. Clearly, failing to define a critical term in the ICA could result in a lack of 14 clarity. In addition, it is wrong to assert that any lack of clarity resulting from this 15 undefined term is Qwest's fault. As the party proposing the use of the term, Covad – 16 not Qwest – has the responsibility to define it. For the reasons I have set forth above, 17 Owest is confident that it has no obligation to provide an alternative service. It is 18 entirely unrealistic for Covad to expect Qwest to define this term when Qwest believes 19 the use of the term is unlawful in the first place. That obligation rests solely with 20 Covad. 21 22 Q. MS. DOBERNECK PROPOSES A QWEST RETAIL INFORMATION 23 SERVICE PROVIDER ("ISP") PRODUCT BE PROVIDED WHEN OWEST

<sup>13</sup> See 47 CFR 51.319 (c)(5) (establishing four requirements for access to unbundled packet switching).

## RETIRES COPPER LOOPS.<sup>14</sup> CAN YOU COMMENT ON THIS

SUGGESTION?

A.

Yes. While Covad does not define "alternative service," Ms. Doberneck proposes that Qwest be required to provide, as an alternative service, Qwest DSL Volume Plan Agreement, or "VISP service," apparently at a recurring rate of \$2.00 per month. I am inferring that Covad would advocate this rate based on Ms. Doberneck's statement on page 10 of her testimony in which she asserts that any "alternative service" that Qwest provides should not increase the cost to Covad or its end-user (a position which is also mirrored in the Covad proposed language for section 9.2.1.2.3.1 of the ICA). In Washington, the current recurring rate for line sharing over the high frequency portion of the unbundled loop is \$2.00 per month. The assumption of a \$2.00 rate is also consistent with Ms. Doberneck's testimony at page 17 that the alternative service would be required only a handful of times (the illustrative number of times is for five customers) and allegedly would result in a retail Qwest revenue loss of "only" \$2,400 over a two year period.

VISP is a retail enhanced information service offering for ISPs that is clearly not subject to the unbundling requirements of the TRO or under any other unbundling rules of the Telecommunications Act of 1996. If the Covad estimated savings (the flip side of the Qwest revenue lost) of \$2,400 are an accurate statement of the amount at stake here, one wonders why Covad is going through the resource-intensive exercise of seeking arbitration of this issue, particularly when Covad is essentially asking the Commission to disregard federal law governing the treatment of enhanced information

<sup>14</sup> Doberneck Direct at 9

1		services. <sup>15</sup>
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3		Qwest does have a retail product offering that provides DSL compatible loop access
4		called "Qwest Choice DSL" that does not include the enhanced information service
5		(data) portion of DSL service for \$15.00 per month. Qwest would recommend that for
6		the theoretical 5 customers Covad is concerned about, Covad purchase this service at a
7		total increase in cost of \$780 per year or \$1,560 for the identified two-year period.
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9	Q.	AT PAGE 21 OF MS. DOBERNECK'S DIRECT TESTIMONY, SHE STATES
10		THAT CLECS WILL BE REQUIRED TO CHECK DAILY TO SEE IF THERE
11		ARE ANY QWEST COPPER RETIREMENTS IN PROGRESS. IS THIS
12		CORRECT?
13	A.	No. In response to CLEC concerns, Qwest has agreed to send an e-mail notification to
14		all CLECs at the time it posts the network disclosures regarding copper retirements.
15		
16		III. <u>CONCLUSION</u>
17	Q.	CAN YOU PLEASE SUMMARIZE YOUR POSITION RELATING TO THIS
18		ISSUE?
19	A.	Qwest has proposed language that complies fully with the FCC's requirements relating
20		to the retirement of copper facilities and Qwest goes beyond those requirements to
21		minimize the possibility of service disruptions for Covad's customers. By contrast,
22		Covad has proposed onerous retirement conditions that are not in the TRO, that would

<sup>15</sup> In its post-hearing briefs, Qwest will provide its legal analysis of why Covad's request violates this law.

decrease Qwest's incentive to deploy fiber facilities, and that are not supported by any actual or anticipated experience with the retirement of copper loops. Accordingly, the Commission should adopt Qwest's proposed ICA language relating to this issue.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.