

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE INVESTIGATION )  
INTO QWEST CORPORATION'S )  
COMPLIANCE WITH §271(C) OF THE )  
TELECOMMUNICATIONS ACT OF 1996. )**  

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**DOCKET NO. UT-003022**

**SUPPLEMENTAL DIRECT TESTIMONY  
OF  
JUDITH L. BRUNSTING  
ON BEHALF OF  
QWEST COMMUNICATIONS CORPORATION  
RE: SECTION 272**

**May 16, 2001**

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1           **I. INTRODUCTION, QUALIFICATIONS, AND PURPOSE OF TESTIMONY**

2   **Q.     PLEASE STATE YOUR NAME AND QUALIFICATIONS.**

3   A.     My name is Judith L. Brunsting. I am employed by Qwest Communications  
4           Corporation (“QCC”) as Senior Director, 272 Business Development. I am  
5           responsible for regulatory and public policy issues as well implementing  
6           requirements and coordinating activities associated with Section 272  
7           compliance. I am a graduate of Nettleton Business College with a degree in  
8           Accounting. I have more than 30 years experience in the telecommunications  
9           industry with an emphasis in engineering, marketing, regulatory, and planning. I  
10          have held positions in the Network, Public Policy, and Wholesale organizations  
11          within the former U S WEST Communications, Inc. In 1995, I became the  
12          Director, Regulatory, for Time Warner Communications responsible for obtaining  
13          and maintaining state and federal certification. I assumed the position of  
14          Director, Regulatory, for U S WEST Long Distance, Inc. in 1997. Network  
15          responsibilities were added to this position in 1999. I was appointed to my  
16          current position for Qwest Long Distance in November 2000. Recently, the  
17          position has transferred to Qwest Communications Corporation, the 272 Affiliate.

18   **Q.     HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

19   A.     Yes. I filed direct testimony on August 7, 2000, and supplemental direct  
20          testimony on August 29, 2000.

21

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to provide this Commission with information  
3 relating to progress Qwest Communications Corporation, my employer, the 272  
4 Affiliate (hereafter "272 Affiliate") has made with regard to Section 272 of the  
5 Telecommunications Act of 1996 ("Act"), and to show that the 272 Affiliate is  
6 prepared to satisfy Section 272 requirements once Qwest Corporation, (hereafter  
7 the "BOC"), obtains Section 271 authority.

8 I will demonstrate that upon the BOC's receipt of in-region, interLATA authority in  
9 Washington, the 272 Affiliate will follow Sections 272(a) "Separate Affiliate  
10 Required for Competitive Activities", 272(b) "Structural and Transactional  
11 Requirements", and 272(g) "Joint Marketing" of the Act, and related rules as  
12 determined by the Federal Communications Commission ("FCC").

13 My testimony also discusses the nondiscriminatory safeguards described in  
14 Section 272(c) of the Act. Although not specifically directed at the long distance  
15 affiliate, with the exception of the express exemption set forth in Section 272(g),  
16 the BOC may not provide greater access to any goods, services, facilities, or  
17 information to the 272 Affiliate than any other interexchange carrier. Further, all  
18 transactions between the 272 Affiliate and the BOC must be accounted for in  
19 accordance with the FCC's affiliate transaction rules. My testimony  
20 demonstrates the business processes the 272 Affiliate has in place to comply

1 with these safeguards and ensure arm's length transactions for the services it  
2 receives and provides.

3 My testimony also explains the steps the 272 Affiliate has taken to ensure it  
4 satisfies these requirements of Section 272, including implementation of  
5 employee training and awareness efforts.

6 Finally, my testimony addresses the issues specifically identified by the  
7 Commission in the Supplemental and Interpretative Policy Statement concerning  
8 the provision of separate affiliate operations pursuant to Section 272 of the Act.

9 **Q. IS QWEST COMMUNICATIONS CORPORATION PREPARED TO ADHERE TO**  
10 **SECTION 272?**

11 A. Before discussing the facts showing that the 272 Affiliate is prepared to satisfy  
12 Section 272, it is important to distinguish the difference between Section 272 and  
13 Section 271 satisfaction. Section 271 sets forth the requirements that must be  
14 satisfied before the BOC can enter the in-region, interLATA market. Section 272  
15 defines how the BOC or any affiliate of the BOC must operate when offering  
16 such interLATA services once the BOC receives Section 271 authority. Thus,  
17 there is no specific requirement that the 272 Affiliate meet Section 272  
18 obligations now; rather it must only demonstrate that it will comply with the  
19 requirements of Section 272.<sup>1</sup> The 272 Affiliate must present evidence that it is

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<sup>1</sup> *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of New York*, CC Docket No. 99-295, Memorandum Opinion and Order, FCC 99-404 (rel. Dec. 22, 1999), ¶403 (hereinafter "BANY

1 prepared to operate under the terms of Section 272 once the BOC is granted  
2 authorization to provide in-region, interLATA services in the state of Washington.  
3 In essence, the Commission must make a “predictive judgment” about whether  
4 Section 272 satisfaction appears likely. The FCC has recognized this distinction  
5 in its Section 271 decisions.<sup>2</sup> As demonstrated below, the 272 Affiliate is  
6 prepared to adhere to the requirements of Section 272.

## 7 II. EXECUTIVE SUMMARY

### 8 Q. PLEASE PROVIDE A SUMMARY OF YOUR TESTIMONY.

9 A. My testimony discusses the relationship between several different companies  
10 within the Qwest corporate family. These companies are discussed repeatedly  
11 in my testimony: 1) Qwest Communications Corporation (“QCC”); 2) Qwest  
12 Corporation (“QC”); 3) Qwest Services Corporation (“QSC”); and 4) Qwest  
13 Communications International Inc. Given the similarity of the acronyms between  
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Order”); *Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance Pursuant to Section 271 of the Telecommunications Act of 1996 to Provide In-Region, InterLATA Services in Texas*, CC Docket No. 00-65, Memorandum Opinion and Order, FCC 00-238 (rel. June 30, 2000), ¶394 (hereinafter “SBC-Texas Order”).

<sup>2</sup> *Application of BellSouth Corporation, BellSouth Telecommunications, Inc., and BellSouth Long Distance, Inc., for Provision of In-Region, InterLATA Services in Louisiana*, CC Docket No. 98-121 (rel. Oct. 13, 1998), ¶321 (“requires a predictive judgment regarding the future behavior of the BOC.”) (hereinafter “BellSouth-LA II Order”); BANY at ¶402; SBC-Texas Order at ¶395.

1 the companies, it may be difficult to review my testimony if the companies were  
2 referred to in that manner. Consequently, in my testimony I will refer to QCC as  
3 the Section "272 Affiliate"; QC as the "BOC"; and Qwest Services Corporation,  
4 the parent of the 272 Affiliate and the BOC, as the "Services Company."

5 My testimony provides the Commission with information relating to the progress  
6 the 272 Affiliate has made with regard to Section 272 of the Act. I provide an  
7 overview of the 272 Affiliate's processes and procedures, which establishes that  
8 the 272 Affiliate is prepared to offer service in compliance with Section 272. The  
9 testimony of Ms. Marie E. Schwartz, an employee of the BOC, provides  
10 additional evidence as to how these requirements are being implemented within  
11 the BOC.

12 I demonstrate that the 272 Affiliate will satisfy all of the relevant requirements of  
13 Section 272, and the related rules directed by the FCC, following the BOC's  
14 receipt of in-region, interLATA authority in Washington. The 272 Affiliate is a  
15 separate affiliate that will offer originating interLATA services in Washington  
16 upon approval.

17 There are three provisions of Section 272 that directly affect the 272 Affiliate,  
18 subsections (a), (b), and (g). My testimony will address each of these provisions  
19 and how the 272 Affiliate is prepared to satisfy each of them.

20 Section 272(a) of the Act requires that the BOC provide in-region, interLATA long  
21 distance services through one or more separate long distance affiliates. Long

1 distance services will be offered by Qwest, upon Section 271 approval, by the  
2 272 Affiliate.

3 Section 272(b) requires the 272 Affiliate to operate independently from the BOC;  
4 maintain separate books, records, and accounts; have its own directors, officers,  
5 and employees; obtain credit that will not provide recourse to the assets of the  
6 BOC; and, conduct all transactions with the BOC on an arm's length basis, with  
7 all such transactions reduced to writing and available for public inspection. The  
8 272 Affiliate will satisfy these requirements of the Act.

9 Section 272(g) sets forth guidelines on how the 272 Affiliate and the BOC can  
10 jointly market interLATA long distance services. The 272 Affiliate will adhere to  
11 these requirements of the Act.

12 I will also respond to the questions the Commission asked in the Supplemental  
13 and Interpretative Policy Statement and discuss the employee training and  
14 awareness efforts that the 272 Affiliate has implemented to ensure it continues  
15 to follow the applicable Section 272 requirements.

16

17



1     **III. THE 272 AFFILIATE SATISFIES THE SEPARATE AFFILIATE REQUIREMENTS**  
2                                    **OF SECTION 272(a)**

3     **Q.     PLEASE DESCRIBE THE STRUCTURE OF QWEST COMMUNICATIONS**  
4            **CORPORATION.**

5     A.     I have confirmed that the 272 Affiliate (“QCC”) is an indirect, wholly owned  
6            subsidiary of Qwest Communications International Inc., a Delaware corporation.  
7            The 272 Affiliate is a duly formed and existing corporation organized under the  
8            laws of the State of Delaware as shown in Exhibit JLB-16. The 272 Affiliate and  
9            the BOC are both subsidiaries of Qwest Service Corporation (“QSC” or “Services  
10           Company”) which is a wholly owned subsidiary of Qwest Communications  
11           International Inc. See Exhibit JLB-17. The 272 Affiliate is not a subsidiary of the  
12           BOC or any affiliated ILEC. In addition, I have confirmed that the 272 Affiliate  
13           owns no stock of the BOC, nor does the BOC own any stock of the 272 Affiliate.  
14           Thus, as both a legal and practical matter, the two companies are separate.

15           The 272 Affiliate currently holds a certificate of authority to transact business  
16           from the Secretary of State in each of the fourteen (14) states that comprise the  
17           BOC’s territory. The 272 Affiliate’s “Certificate of Disclosure” for Washington  
18           provides it with authority to operate in the state. See Exhibit JLB-18.

19     **Q.     WOULD YOU PLEASE EXPLAIN THE STATUS OF U S WEST LONG**  
20            **DISTANCE SINCE THE MERGER?**

1 A. Prior to the merger of Qwest and U S WEST, U S WEST had formed U S WEST  
2 Long Distance as a separate affiliate to provide in-region, interLATA  
3 telecommunications services in its 14-state territory once Section 271 authority  
4 was granted. At that time, U S WEST Long Distance was planning to offer in-  
5 region, interLATA long distance service as a reseller, using the underlying  
6 facilities of various carriers.

7 In the summer of 2000, once the merger was completed, U S WEST Long  
8 Distance's name was changed to Qwest Long Distance. In the fall, Qwest  
9 revisited the strategy of which legal entity should offer interLATA services in-  
10 region. About mid-January, QCC was identified as the 272 subsidiary to offer  
11 interLATA telecommunications service. A plan was developed to transition QCC  
12 to be 272 compliant. The activities included placing employees in the  
13 appropriate Qwest entity, evaluating and documenting all transactions between  
14 the 272 Affiliate and the BOC, posting all such transactions, training employees,  
15 and ensuring all other separateness requirements of 272.

16 Qwest Long Distance continues to exist today as a fully compliant 272  
17 subsidiary. Currently, plans are to merge Qwest Long Distance with QCC in the  
18 May, 2001 timeframe.

19

1                   **IV. THE 272 AFFILIATE COMPLIES WITH THE STRUCTURAL AND**  
2                   **TRANSACTIONAL REQUIREMENTS OF SECTION 272(b)**

3   **Q.    PLEASE DESCRIBE HOW THE 272 AFFILIATE SATISFIES SECTION 272(b)**  
4   **OF THE ACT.**

5   A.    Section 272(b) contains five “structural separations” that the BOC and the 272  
6   Affiliate must maintain for as long as the requirements of Section 272 are in  
7   force.

8                   **A.    Section 272(b)(1) – Operate Independently from the BOC**

9   **Q.    WHAT DOES SECTION 272(b)(1) REQUIRE AND HOW DOES THE 272**  
10 **AFFILIATE SATISFY THIS SECTION?**

11 A.    First, Section 272(b)(1) requires the 272 Affiliate to operate independently from  
12 the BOC. Several facts show that the 272 Affiliate satisfies this provision:

13       a.    The 272 Affiliate does not and will not jointly own, with the BOC,  
14       telecommunications transmission and switching facilities, or the land and  
15       buildings on which such facilities are located.

16       b.    The 272 Affiliate is not currently providing to the BOC operations,  
17       installation, or maintenance (“OI&M”) services in connection with the  
18       BOC’s switching and transmission facilities, nor will it provide these  
19       services to the BOC as long as Section 272 is in force.

1 c. The 272 Affiliate will not accept from the BOC or any other Qwest affiliate  
2 OI&M services in connection with the 272 Affiliate's switching and  
3 transmission facilities.

4 d. Qwest's 272 Affiliate plans to provide its own in-region, interLATA long  
5 distance products and services. It will use its own transmission and  
6 switching facilities and obtain wholesale network services from one or  
7 more unaffiliated carriers. The 272 Affiliate will perform OI&M on its own  
8 network facilities.

9 The FCC did not, however, preclude the 272 Affiliate and its affiliated BOC from  
10 providing telecommunications services to one another.<sup>3</sup> For example, if the 272  
11 Affiliate obtains a tariffed exchange service or exchange access service from the  
12 BOC, the BOC may provide the OI&M functions on its own network used to  
13 provide that service to the 272 Affiliate. Likewise, if the BOC were to obtain a  
14 long distance service from the 272 Affiliate, then the 272 Affiliate would be  
15 allowed to provide the OI&M functions on the facilities used to provide that  
16 service.

17

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<sup>3</sup> Non-Accounting Safeguards Order, 11 FCC Rcd at 21, 984-85, at ¶164.

1        **B.      Section 272(b)(2) – Separate Books, Records, and Accounts**

2        **Q.      WHAT DOES SECTION 272(b)(2) REQUIRE AND SPECIFICALLY HOW DOES**  
3        **THE 272 AFFILIATE SATISFY THIS SECTION?**

4        A.      Section 272(b)(2) requires that the 272 Affiliate maintain books, records, and  
5        accounts that are separate from the books, records, and accounts of the BOC.  
6        Several facts show that the 272 Affiliate satisfies this provision:

7           a.      The 272 Affiliate follows Generally Accepted Accounting Principles  
8           (“GAAP”), as adopted by the FCC in Docket 96-150. The 272 Affiliate’s  
9           books, records, and accounts are maintained in accordance with GAAP  
10          and consolidated into Qwest Communications International Inc.’s  
11          financials. Since Qwest Communications International Inc. is a publicly  
12          held corporation, subject to federal securities statutes, it reports its  
13          financial activities in accordance with GAAP.

14          b.      Qwest Communications International Inc.’s consolidated financial  
15          statements as contained in the Form 10-K filed with the Securities and  
16          Exchange Commission (“SEC”), include the report of its independent  
17          auditor, Arthur Andersen, L.L.P., which provide an unqualified opinion  
18          regarding the fair presentation of those statements in accordance with  
19          accounting principles generally accepted in the United States. These  
20          financial statements include the consolidated results of the 272 Affiliate.

- 1           c.     The 272 Affiliate has established and maintains a Chart of Accounts that  
2                   is separate from the BOC's Chart of Accounts as shown in Exhibit  
3                   JLB-19C.
- 4           d.     The 272 Affiliate will maintain a separate set of financial statements from  
5                   those of the BOC for internal and corporate use.  Although these  
6                   statements are not publicly released, the financial information is  
7                   consolidated into Qwest Communications International Inc.'s publicly  
8                   available financial reports.
- 9           e.     The 272 Affiliate maintains expenditure controls that ensure the 272  
10                  Affiliate's funds are expended appropriately.  The necessity and accuracy  
11                  of an expense or capital expenditure is the responsibility of the employee.  
12                  When an employee initiates payment of funds, the employee is certifying  
13                  that a valid business purpose exists for the expenditure.  All expenditures  
14                  also require approval from a supervisor to certify and review the  
15                  documentation associated with the expenditure.  Policies, which specify  
16                  the amount each level of management is allowed to approve, exist for  
17                  expenditures related to third party vendors.
- 18          f.     The ledger system of the 272 Affiliate is separate from the BOC's ledger  
19                  system.  The system contains "edits" to control and validate appropriate  
20                  classification of expense.  The books are part of the annual financial audit  
21                  conducted by an external auditor.

1 g. The 272 Affiliate's accounting and finance functions are performed on  
2 behalf of the 272 Affiliate by the Services Company.

3 h. The 272 Affiliate has its own federal tax identification number that is  
4 separate from the BOC's federal tax identification number.

5 i. The 272 Affiliate pays applicable taxes and fees to various taxing and  
6 regulatory agencies separately from the BOC.

7 j. The 272 Affiliate complies with state and FCC regulatory reporting  
8 requirements separately from the BOC.

9 **C. Section 272(b)(3) – Separate Officers, Directors, and Employees**

10 **Q. HOW DOES THE 272 AFFILIATE SATISFY THE SEPARATENESS**  
11 **REQUIREMENTS OF 272(b)(3)?**

12 A. Section 272(b)(3) requires the 272 Affiliate to have separate officers, directors,  
13 and employees from the BOC. The 272 Affiliate satisfies this provision as shown  
14 by the following facts:

15 a. The 272 Affiliate has no officers, directors, or employees that are also  
16 officers, directors, or employees of the BOC.

1           b.     No director of the 272 Affiliate will also act as a director of the BOC and,  
2                     as long as the requirements of Section 272 remain in force, no director of  
3                     the 272 Affiliate will also simultaneously act as a director of the BOC.

4           c.     The 272 Affiliate has two (2) directors: Drake Tempest and Robin Szeliga.  
5                     Mr. Tempest and Ms. Szeliga are not officers or directors of the BOC.  
6                     Exhibit JLB-20 provides a complete listing of the 272 Affiliate's Board of  
7                     Directors and officers, none of whom are employees, officers, or directors  
8                     of the BOC. Further, Exhibit JLB-21 provides a complete listing of the  
9                     BOC's Board of Directors and officers, none of whom are employees,  
10                    officers, or directors of the 272 Affiliate. In the FCC's order pertaining to  
11                    BellSouth's Louisiana Section 271 filing, the FCC stated that,

12                             "We disagree with Sprint's contention that having one  
13                             director for BSLD is insufficient to satisfy the  
14                             requirement of section 272(b)(3) because one director  
15                             cannot provide the collective oversight and  
16                             consideration for the effective realization of the Board  
17                             of Director's substantial responsibilities. Neither the  
18                             statute nor our implementing regulations require a  
19                             BOC to . . . establish a minimum number of Board  
20                             members."<sup>4</sup>

21                    Further, in its recent orders in the Bell Atlantic-New York and the  
22                    SBC-Texas applications, the FCC stated that a comparison of the BOC  
23                    and the Section 272 Affiliate's officer lists, as well as a payroll comparison

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<sup>4</sup> BellSouth-LA II Order at ¶330.



1           which Ms. Schwartz discusses in her testimony, satisfies the FCC's test  
2           for Section 272(b)(3) compliance.<sup>5</sup>

3           d.     The 272 Affiliate and the BOC maintain and will continue to maintain  
4           separate payrolls. The 272 Affiliate currently employs a separate staff  
5           from the BOC. No 272 Affiliate employee is an employee of the BOC and,  
6           as long as applicable Section 272 requirements exist, no employees of  
7           the 272 Affiliate will be simultaneously employed by the BOC.

8           e.     The 272 Affiliate, the BOC, and the Service Company have provided color  
9           identification material to employees that assist in identifying the  
10          associated affiliate. A certain color is reflected on an employee's badge  
11          and office nametag, e.g., red for the 272 Affiliate. The color indicates the  
12          affiliate for which a given employee works.

13          f.     Separations between 272 Affiliate and BOC employees are maintained  
14          throughout. For example, when BOC employees provide payroll services  
15          to the 272 Affiliate, the services are documented in the form of a Work  
16          Order and the rates, terms, and conditions are available for public  
17          inspection, as required by Section 272(b)(5). When 272 Affiliate  
18          employees provide services to Qwest affiliates, including the BOC, the  
19          employees are required to time report and the BOC is charged for their

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<sup>5</sup> BANY Order at ¶409; SBC-Texas Order at ¶401.

1 time using rates set according to applicable FCC requirements. These  
2 services are documented in the form of a Task Order and the rates,  
3 terms, and conditions are available for public inspection, as required by  
4 Section 272(b)(5).

- 5 g. The 272 Affiliate initiates a series of activities when an employee accepts  
6 employment with another company in the Qwest corporate family. The  
7 departing 272 Affiliate employee must notify his/her manager of their  
8 decision to leave; a letter of resignation may accompany their notice, but  
9 is not required. A resignation date is then determined and prior to this  
10 date, the departing 272 Affiliate employee must return 272 Affiliate-owned  
11 assets and account for documents in their possession. After the  
12 resignation date, the 272 Affiliate removes the ex-employee from its  
13 payroll.

14 Organizationally, separation between the BOC and the 272 Affiliate is maintained  
15 throughout at all times. The FCC found in its order in BellSouth's Louisiana  
16 Section 271 filing (FCC 98-271), Paragraph 330, that "...[N]either the statute nor  
17 our implementing regulations require a BOC to outline the reporting structure of  
18 its affiliate's Board of Directors..." to show compliance with this section of this  
19 Act. To meet its burden of proof, the Section 272 subsidiary must only provide  
20 evidence that its officers, directors, and employees are separate from those of  
21 the BOC.

1 The 272 Affiliate's officers have a fiduciary obligation to the 272 Affiliate's Board  
2 of Directors to manage the business in an appropriate manner. The 272  
3 Affiliate's Board of Directors has, in turn, similar obligations and responsibilities.

4 It is important to note that while Congress anticipated the need for structural  
5 separation between a BOC and the Section 272 subsidiary, the Act specifically  
6 contemplates that a BOC and its Section 272 subsidiary would be affiliates under  
7 a single parent company. The very structure utilized by Qwest Communications  
8 International Inc. is expressly sanctioned and expected by the express terms of  
9 Section 272. As affiliates, the 272 Affiliate and BOC have unique financial and  
10 business responsibilities and obligations to their boards of directors and  
11 ultimately to their shareholders, notwithstanding Section 272 requirements.

12 Further, these requirements will continue to be satisfied in all future movement of  
13 employees, officers, or directors. For example, if a 272 Affiliate director is  
14 moved to any position within the BOC, that person will not remain on the 272  
15 Affiliate's board. Similarly, if an officer of the BOC is placed on the 272 Affiliate's  
16 board, that person will cease to be employed by or serve as an officer of the  
17 BOC.

18

1                   **D.     Section 272(b)(4) – No Recourse to BOC’s Assets**

2   **Q.     PLEASE EXPLAIN WHAT THE 272 AFFILIATE HAS DONE TO BE IN**  
3   **ACCORDANCE WITH 272(b)(4)?**

4   **A.**     Section 272(b)(4) states that the Section 272 Affiliate cannot obtain credit under  
5     any arrangement that would permit a creditor to have recourse to the assets of  
6     the BOC. Several facts establish the 272 Affiliate’s satisfaction of this provision:

7     a.     The 272 Affiliate has not requested, nor will it request, any Qwest entity,  
8     to co-sign a contract or any other agreement with the 272 Affiliate in a  
9     manner which would allow a creditor to obtain recourse to the BOC’s  
10    assets.

11    b.     The 272 Affiliate is capitalized separately from the BOC. Funding for the  
12    272 Affiliate is provided by financial obligations issued by Qwest Capital  
13    Funding, Inc. (“QCFI”), a separate subsidiary of Qwest Communications  
14    International Inc. The debt issued by QCFI is guaranteed by Qwest  
15    Communications International Inc., and neither the debt obligations issued  
16    by QCFI, nor the guarantee by Qwest Communications International Inc.  
17    provide creditors recourse to the assets of the BOC. The BOC issues its  
18    own direct financial obligations to fund its operations – principally  
19    commercial papers, notes, and bonds.

1 c. The Master Services Agreement (“MSA”) between the BOC and the 272  
2 Affiliate states that contracts entered into by the 272 Affiliate are the sole  
3 responsibility of the 272 Affiliate and has no recourse to the BOC’s  
4 assets. In case of default, liability is limited to charges for costs incurred  
5 under the Agreement.

6 **E. Section 272(b)(5) – Transactions at Arm’s Length, in Writing, and**  
7 **Publicly Available**

8 **Q. PLEASE DESCRIBE THE STEPS THE 272 AFFILIATE HAS TAKEN TO MEET**  
9 **SECTION 272(b)(5).**

10 A. Section 272(b)(5) requires that all transactions between the 272 Affiliate and the  
11 BOC be at arm’s length, with any such transactions reduced to writing and  
12 available for public inspection. The 272 Affiliate satisfies this provision as shown  
13 by the following facts:

14 a. The 272 Affiliate has and will continue to account for all transactions  
15 between itself and the BOC in accordance with the FCC’s affiliate  
16 transaction rules.

17 b. All transactions between the 272 Affiliate and the BOC are documented  
18 as part of a MSA, Service Agreement (“SA”), stand-alone contract, or  
19 purchased as a tariffed service offering. The SA between the 272 Affiliate  
20 and the BOC is provided as Exhibit JLB-22. The other agreements are  
21 provided as exhibits to Ms. Marie E. Schwartz’s testimony.

1 c. All transactions between the 272 Affiliate and the BOC are posted on  
2 Qwest Communications International Inc.'s Internet Home Page site, the  
3 contents of which are intended to be part of this record:

4 <http://www.qwest.com/about/policy/docs/qcc/overview.html>

5 d. The 272 Affiliate, as an added protection, is required to contact its BOC  
6 Sales Executive Team, Sales Executive, to obtain access services. Sales  
7 Executives are the contact people who ensure that all interexchange  
8 carriers have equivalent access to the BOC's goods, services, facilities,  
9 and information. The 272 Affiliate's Sales Executive, as with any other  
10 carrier, contacts the representative in the BOC business unit providing the  
11 requested service and a manager in the BOC's Regulatory Accounting  
12 group.

13 d. The 272 Affiliate is also required to use the BOC Service Management  
14 Team as a single source of support for all provisioning, maintenance, and  
15 repair issues. The Service Management Team, as with any other carrier,  
16 handles escalations and service concerns.

17 **V. SECTION 272(g) – JOINT MARKETING**

18 **Q. WHAT OBLIGATION DOES THE 272 AFFILIATE HAVE UNDER SECTION**  
19 **272(g)?**

1 A. Section 272(g) of the Act provides the guidelines the 272 Affiliate and the BOC  
2 must follow relative to joint marketing. The BOC will not market or sell the in-  
3 region, interLATA services of the 272 Affiliate until authorized. The 272 Affiliate  
4 understands its obligations under previous FCC 271 orders relative to Section  
5 272, and is prepared to follow the joint marketing rules.

6 In this application the 272 Affiliate will not be providing proposed marketing  
7 scripts or plans, nor is it required to do so. As stated in the FCC order for  
8 BellSouth–South Carolina, regarding proposed telemarketing script,

9 “We do not require applicants to submit proposed marketing  
10 scripts as a precondition for Section 271 approval, nor do we  
11 expect to review revised marketing scripts on an ongoing  
12 basis once Section 271 authorization is granted. Applicants  
13 are free to tell us how they intend to joint market, although  
14 we do not require them to do so.”<sup>6</sup>

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<sup>6</sup> *Application of BellSouth Corporation, et al. Pursuant to Section 271 of the Communications Act of 1934, as amended, To Provide In-Region, InterLATA Services in South Carolina*, CC Docket No. 97-208, Memorandum Opinion and Order, FCC 97-418 (rel. Dec. 24, 1997), ¶236.

1 The FCC reaffirmed this position in the Bell Atlantic–New York order by stating:

2 “We reject as inconsistent with Commission precedent  
3 AT&T’s contention that Bell Atlantic must submit proposed  
4 marketing scripts in order to demonstrate compliance with  
5 Section 272(g).”<sup>7</sup>

6 Further, it is important to point out that in its *Non-Accounting Safeguards Order*,  
7 the FCC stated that “no regulations are necessary to implement section  
8 272(g)(1).”<sup>8</sup>

9 Thus, for purposes of Section 272(g), the 272 Affiliate understands and will abide  
10 by this provision.

11 **Q. SPECIFICALLY, WHAT IS THE PROVISION FOR JOINT MARKETING THAT**  
12 **YOU ARE REFERRING TO?**

13 A There are actually three general provisions contained within Section 272(g) of  
14 the Act, as follows:

15 1) If the BOC permits its 272 Affiliate to market or sell the BOC’s telephone  
16 exchange services, the BOC must allow other carriers to similarly market  
17 and sell the BOC’s telephone exchange services;

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<sup>7</sup> BANY Order at ¶419.

<sup>8</sup> *Non-Accounting Safeguards Order*, 11 FCC Rcd at 22,043-44, at ¶286.



1           2)    The BOC may not market the 272 Affiliate's in-region interLATA services  
2                    until the BOC receives authority to offer in-region interLATA services  
3                    pursuant to Section 271 of the Act; and,

4           3)    The BOC's joint marketing and sale of service on behalf of its Section 272  
5                    Affiliate do not violate the nondiscrimination requirements of Section  
6                    272(c).

7   **Q.    HOW WILL THE 272 AFFILIATE COMPLY WITH THE REQUIREMENT TO**  
8   **OFFER THE BOC'S TELEPHONE EXCHANGE SERVICE IN A NON-**  
9   **DISCRIMINATORY MANNER?**

10   A.    The specific requirements of Section 272(g)(1) of the Act state:

11                    "Affiliate Sales of Telephone Exchange Services – A  
12                    Bell operating company affiliate required by this  
13                    section may not market or sell telephone exchange  
14                    services provided by the Bell operating company  
15                    unless that company permits other entities offering  
16                    the same or similar service to market and sell its  
17                    telephone exchange services."

18            The 272 Affiliate will not market or sell BOC services except through agreement  
19                    on an arm's length basis, reduced to writing, and made publicly available as  
20                    required by Section 272(b)(5).

21

1 **Q. HOW WILL THE 272 AFFILIATE COMPLY WITH THE REQUIREMENT TO**  
2 **DELAY OFFERING INTERLATA LONG DISTANCE SERVICE UNTIL QWEST**  
3 **HAS RECEIVED INTERLATA AUTHORITY IN WASHINGTON?**

4 A. The specific requirements of Section 272(g)(2) of the Act state:

5 "Bell Operating Company Sales of Affiliate Services –  
6 A Bell operating company may not market or sell  
7 interLATA service provided by an affiliate required by  
8 this section within any of its in-region States until such  
9 company is authorized to provide interLATA services  
10 in such State under section 271(d)."

11 The 272 Affiliate will not market or sell interLATA services with the BOC until the  
12 BOC is authorized to provide interLATA service in Washington by the FCC.

13 **Q. HOW DOES QWEST INTERPRET THE THIRD "REQUIREMENTS" OF**  
14 **SECTION 272(G)?**

15 A. The specific requirements of Section 272(g)(3) states that "the joint marketing  
16 and sale of services permitted under this subsection shall not be considered to  
17 violate the nondiscrimination provisions of subsection 272(c)."

18 The 272 Affiliate understands that the permitted joint marketing activities will not  
19 be subject to the nondiscrimination requirements of Section 272(c). The 272  
20 Affiliate and the BOC may provide marketing for each other, provided that such  
21 services are conducted pursuant to an arm's-length transaction, consistent with  
22 the requirements of Section 272(b)(5).

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**VI. THE 272 AFFILIATE'S TRAINING EFFORTS**

**Q. WHAT STEPS HAS THE 272 AFFILIATE TAKEN TO ENSURE THAT ITS EMPLOYEES UNDERSTAND THEIR OBLIGATIONS UNDER SECTION 272?**

A. All Qwest Communications International Inc. employees, including those in the 272 Affiliate, are required to review the company's code of conduct and certify that they understand and will comply with company policies, including regulatory requirements. New hires to Qwest are obligated to go through this training within ten (10) days of hire.

In addition to overall corporate training efforts, all current 272 Affiliate employees received further Section 272-specific training using materials shown in Exhibit JLB-23.

**Q. IS THERE A PROCESS IN PLACE FOR THE 272 AFFILIATE EMPLOYEES WHO HAVE COMPLIANCE QUESTIONS OR ISSUES?**

A. Yes. The 272 Affiliate will use the Qwest Communications International Inc. Corporate Compliance Advice Line for reporting all Section 272 compliance issues. The Advice Line number is 1-800-333-8938. Any employee can call this number and get answers to their Section 272 issues as well as report suspected Section 272 violations.

1 **VII. COMMISSION QUESTIONS**

2 **Q. DOES THIS TESTIMONY PROVIDE ANSWERS TO THE QUESTIONS THE**  
3 **COMMISSION ASKED IN THE SUPPLEMENTAL AND INTERPRETIVE**  
4 **POLICY STATEMENT?**

5 A. Yes. In Appendix A, Section VII, the Commission asked eight questions  
6 regarding the requirements of Section 272 of the Act.<sup>9</sup> My testimony addresses  
7 Questions 1 through 8. I have also prepared Exhibit JLB-24 that is a matrix of  
8 the questions and the location in my testimony and associated exhibits where the  
9 answers to those questions can be located.

10 **VIII. CONCLUSION**

11 **Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

12 A. My testimony demonstrates how the 272 Affiliate will satisfy Sections 272(a), (b),  
13 and (g) of the Act, as well as the FCC's related rules. It also explains the steps  
14 the 272 Affiliate has taken to ensure its continued satisfaction of Section 272.  
15 Additionally, my testimony addresses the 272 Affiliate's employee training and  
16 awareness efforts to assure continued satisfaction of Section 272.

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<sup>9</sup> *In the Matter of the Investigation into U S WEST Communications, Inc.'s Compliance with §271(C) of the Telecommunications Act of 1996*, Docket No. UT-970300, Issued March 15, 2000.

1 Q. **DOES THIS CONCLUDE YOUR TESTIMONY?**

2 A. Yes.

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**IN THE MATTER OF THE INVESTIGATION )  
INTO QWEST CORPORATION'S )  
COMPLIANCE WITH §271(C) OF THE )  
TELECOMMUNICATIONS ACT OF 1996. )**  

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**DOCKET NO. UT-003022**

**EXHIBITS  
OF  
JUDITH L. BRUNSTING  
ON BEHALF OF  
QWEST COMMUNICATIONS CORPORATION  
RE: SECTION 272**

**May 16, 2001**

INDEX OF EXHIBITS

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QCC Chart of Accounts .....	JLB-19C
QCC Board of Directors and Officers.....	JLB-20
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