

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition for )  
Arbitration of )  
)  
AT&T COMMUNICATIONS OF THE )  
PACIFIC NORTHWEST AND TCG )  
SEATTLE, ) **Docket No. UT-033035**  
)  
With )  
)  
QWEST CORPORATION )  
)  
Pursuant to 47 U.S.C. Section 252(b) )  
\_\_\_\_\_ )

**DIRECT TESTIMONY OF  
MICHAEL HYDOCK  
ON BEHALF OF AT&T COMMUNICATIONS OF THE  
PACIFIC NORTHWEST, INC. AND TCG SEATTLE  
ON DISPUTED ISSUES 1, 22, 30, 33, and 34**

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**SEPTEMBER 25, 2003**

**I. INTRODUCTION**

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

2 A. My name is Michael Hydock. My business address is 21975 E. Costilla Dr., Aurora,  
3 Colorado 80016.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by AT&T as a district manager in the Local Services and Access  
6 Management organization. My responsibilities include a variety of local telephony-  
7 related duties, including the negotiation of interconnection contract agreements and  
8 the analysis of the underlying issues in these agreements. I have also analyzed local  
9 exchange carriers' intrastate costing and pricing methodologies and studies. As an  
10 expert witness, I have submitted testimony on local issues within AT&T's western  
11 region. I have previously submitted testimony in regulatory or legislative hearings in  
12 Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, Oregon, Utah, and  
13 Washington on behalf of AT&T, or my previous employer, MCI.

14 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION BEFORE?**

15 A. Yes. I have appeared before this Commission representing MCI and AT&T on the  
16 first round of arbitrations and local cost cases.

17 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

18 A. I graduated from Rutgers University in 1975 with a Bachelor of Arts degree in  
19 Economics. I received a Masters of Economics from the graduate school at  
20 Georgetown University in 1977, and have completed my Ph.D. coursework and

1 comprehensive examinations. I have also completed various training seminars  
2 offered by MCI WorldCom and AT&T in marketing, telecommunications, network,  
3 and costing methods in the telecommunications field.

4 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

5 A. I began my career with AT&T in 1981 in the Accounts and Finance department of  
6 AT&T Long Lines. During that time I spent five years doing economic forecasts to  
7 support network and business planning. From 1986 to 1990, I was employed by  
8 AT&T in its Eastern Region working on intrastate and federal regulatory and access  
9 planning issues.

10 In 1990 I began working for MCI in its Federal Regulatory Department. In that group  
11 I was responsible for developing MCI regulatory policy on a variety of issues,  
12 including access and universal service. In 1994 I moved to the MCI metro start-up  
13 venture where I performed regulatory and business analysis to support the  
14 development of MCI's local business. In 1995 I transferred to the Western Region  
15 where I managed local competition policy for MCI's Law and Public Policy group in  
16 the Western Region. During the period 1995 to 1999 I provided regulatory and  
17 business support for the negotiation and arbitration of Interconnection Agreements  
18 ("ICAs") that MCI was developing with Qwest. I became closely involved with a  
19 variety of costing dockets in the Western Region, and testified at a number of  
20 hearings.

1 In 1999 I accepted my current position as District Manager, ICA Negotiations in the  
2 Western Region of AT&T. Since that time I have been involved in the negotiations  
3 of interconnection agreements for AT&T with Qwest. I have negotiated a number of  
4 amendments to the existing AT&T/TCG contract, have participated in the SGAT/271  
5 workshops held throughout the region, and have managed the current re-negotiations  
6 of the AT&T/Qwest contract.

7 **Q. PLEASE DESCRIBE THE NEGOTIATIONS PROCESS WITH QWEST.**

8 A. Just about the time the original AT&T contracts were coming up for renewal, Qwest  
9 embarked on the 271 long distance entry process. Both Qwest and AT&T agreed to  
10 suspend bi-lateral negotiations until that process was concluded. AT&T played a  
11 significant role in the SGAT workshops that were part of the Qwest 271 process. As  
12 the 271 process was winding down, AT&T and Qwest entered into interconnection  
13 agreement negotiations in the Spring of 2002. The two parties used a near final  
14 version of the SGAT as a starting point, and negotiated several broad issues: updates  
15 for new offerings introduced by Qwest after the workshops ended, items for which  
16 AT&T sought increased clarity, and the introduction of a billing section, among  
17 others. For those areas that parties disputed during the workshops, a review of those  
18 disputed issues was made and in some cases state-specific language as approved by  
19 the state commissions was proposed for the individual state agreements. The final  
20 result of these negotiations was significant agreement on most issues, and a handful  
21 of disputed issues that the parties are arbitrating in this proceeding.

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

1 A. My testimony will address issues 1, 22, 30, 33, and 34 as delineated in the Disputed  
2 Issues List (“DIL”) filed by AT&T in this proceeding.

3 **II. ISSUE 1. SECTION 1.9: CLEC’S ABILITY TO OBTAIN SERVICES FROM**  
4 **AGREEMENT OR TARIFF**

5 **Q. PLEASE EXPLAIN THE CURRENT STATUS WITH ISSUE 1.**

6 A. AT&T and Qwest were in dispute over this provision at the time AT&T filed its  
7 arbitration petition in this proceeding. However, since that time the parties have  
8 agreed to close the issues by accepting the AT&T proposed language as follows:

9 **1.9** If at any time while this Agreement is in effect, Qwest  
10 provides, pursuant to the terms of any effective Tariff, services,  
11 Interconnection or Network Elements at rates, terms, or conditions  
12 different from those available under this Agreement, then CLEC may,  
13 at its discretion, substitute the Tariff’s rates, terms and conditions in  
14 whole or in part, in place of the relevant rates, terms and conditions in  
15 this Agreement. CLEC may exercise this option by following the  
16 process set forth in Section 1.8 of this Agreement. CLEC’s election of  
17 Tariff terms shall be handled pursuant to the same rules governing  
18 adoption of Interconnection Agreement terms pursuant to Section  
19 252(i) of the Act.

20 **1.9.1** Separate from such adoption, CLEC may choose to place  
21 orders from a Qwest Tariff. If CLEC does so, but does not choose to  
22 incorporate such Tariff terms into this Agreement, such orders shall be  
23 governed by the Tariff terms and conditions. When ordering from a  
24 Qwest Tariff, if the ordering process used by CLEC and the  
25 information contained in the order are both the same as for orders  
26 placed under this Agreement, Qwest may not be able to recognize that  
27 the order is made under a Qwest Tariff. If Qwest is not able to  
28 recognize that distinction, CLEC and Qwest will mutually agree to a  
29 process by which CLEC orders placed under a Qwest Tariff can be  
30 distinguished by Qwest as being placed under a Qwest Tariff rather  
31 than under this Agreement.

32

1                                   **III.    ISSUE 22. SECTION 8.2.1.31: ABANDONMENT**

2   **Q.    WHAT IS THE PURPOSE OF SECTION 8.2.1.31?**

3   A.    This provision deals with situations where AT&T “abandons” equipment in a  
4           collocation site in a Qwest premise. If the equipment is determined to be abandoned,  
5           then Qwest has certain rights as to the disposition of the equipment. The questions of  
6           significance are: 1) when is the equipment determined to be abandoned and 2) once  
7           that determination is made, what are Qwest’s and AT&T’s rights?

8   **Q.    DOES AT&T EVER THINK IT WILL “ABANDON” EQUIPMENT AT**  
9   **QWEST PREMISES?**

10   A.    As AT&T is a multi-national corporation employing GAAP related systematic  
11           accounting of its assets, AT&T does not plan to “abandon” equipment at the Qwest  
12           premises. However, AT&T’s concern is that, based on Qwest’s proffered language, it  
13           could be considered to have abandoned its property, at Qwest’s sole determination,  
14           without any objective criteria in place to make that determination.

15   **Q.    HAS AT&T MODIFIED ITS PROPOSAL FOR ABANDONMENT SINCE**  
16   **THE FILING OF ITS PETITION?**

17   A.    Yes.

18   **Q.    WHAT DID AT&T DO TO CRAFT ITS MODIFIED PROPOSAL?**

19   A.    AT&T worked with Qwest’s proposal and added/substituted provisions to include  
20           that 1) Qwest can make the determination that property has been abandoned but must  
21           use objective criteria, 2) Qwest’s notice regarding abandonment must contain certain

1 information, 3) Qwest must attempt to mitigate its damages, and 4) an accounting is  
2 only required if a CLEC requests it.

3 AT&T's proposed language is as follows:

4 **8.2.1.31** Qwest may determine in good faith, using  
5 nondiscriminatory objective criteria, that equipment or property of  
6 CLEC has been abandoned or left unclaimed in or at a Collocation  
7 Premises. One of the objective criteria that must be present before  
8 such determination may be made is that CLEC has failed to pay  
9 undisputed monthly recurring charges associated with such  
10 Collocation Premises for at least three consecutive months  
11 immediately preceding such determination. Once Qwest makes such a  
12 determination, it may provide CLEC notice of abandonment which  
13 shall at a minimum include (i) the identification of the affected  
14 Collocation Premises, (ii) the bases for Qwest's determination of  
15 abandonment, (iii) a point of contact at Qwest regarding the claimed  
16 abandonment and (iv) notice that CLEC has no less than thirty (30)  
17 Days to remove its equipment or property.

18 **8.2.1.31.1** If CLEC responds in writing within thirty (30) Days  
19 that it disputes Qwest's determination of abandonment, the parties may  
20 resolve the dispute through negotiation or Dispute Resolution pursuant  
21 to Section 5.18, initiated no later than the end of such thirty (30) Day  
22 notice period.

23 **8.2.1.31.2** If CLEC responds to such notice agreeing with such  
24 abandonment or fails to respond to such notice, CLEC's equipment  
25 shall be deemed abandoned and CLEC shall have until the end of such  
26 thirty (30) Day notice period to remove its equipment or property from  
27 the Collocation Premises. If CLEC fails to remove its equipment or  
28 property by the end of such thirty (30) Day period, Qwest may  
29 appropriate, sell, store, and/or otherwise dispose of such equipment;  
30 provided, however, that if CLEC has commenced removal of its  
31 equipment or property prior to the end of such thirty (30) Day period,  
32 Qwest shall allow CLEC up to thirty (30) additional days to complete  
33 the removal. Once the time period for removal of CLEC's equipment  
34 or property has elapsed, Qwest shall cease charging CLEC any  
35 recurring charges associated with the Collocation site where such  
36 abandoned equipment or property was located. CLEC shall reimburse  
37 Qwest for all reasonable expenses incurred in connection with the  
38 storage or disposition of such equipment or property, provided that  
39 Qwest makes reasonable efforts to mitigate such expenses. If Qwest

1 receives value for such abandoned equipment or property, Qwest shall  
2 use such value to offset expenses it incurs in appropriating, selling,  
3 storing or otherwise disposing of such equipment of property. Qwest  
4 shall not be obligated to provide CLEC with an accounting of  
5 expenses Qwest seeks to recover from CLEC, unless CLEC requests in  
6 writing such an accounting and agrees to bear the reasonable expenses  
7 incurred by Qwest in preparing the same.

8 Notwithstanding the provisions of this section, where CLEC has submitted a  
9 Decommissioning Application, the terms for Collocation Decommissioning  
10 contained in this Agreement shall apply.

11 **Q. PLEASE ARTICULATE THE DIFFERENCES BETWEEN AT&T'S**  
12 **PROPOSED LANGUAGE AND QWEST'S PROPOSED LANGUAGE?**

13 A. The first difference relates to what criteria Qwest has to utilize to determine if  
14 property is abandoned. Pursuant to Qwest's language, there are no criteria that Qwest  
15 must use to determine if property is abandoned.<sup>1</sup> AT&T's language allows Qwest to  
16 exclusively make a determination of abandonment. However, AT&T's language  
17 requires Qwest to use "nondiscriminatory objective criteria, that equipment or  
18 property of CLEC has been abandoned or left unclaimed in or at a Collocation  
19 Premises."<sup>2</sup> One of the criteria AT&T's proposal requires Qwest to demonstrate is  
20 that the CLEC in question "has failed to pay undisputed monthly recurring charges  
21 associated with such Collocation Premises for at least three consecutive months  
22 immediately preceding such determination."<sup>3</sup> AT&T includes at least one objective  
23 criterion so Qwest cannot utilize the abandonment provisions arbitrarily and/or in bad  
24 faith to force a competitor into dispute resolution without some legitimate basis.

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<sup>1</sup> See Qwest Proposed Language, Joint Disputed Issues List, Issue 22 at p.18. The first sentence of Qwest's proposal states, in part, "If Qwest finds, in the course of business, evidence to substantiate that any equipment or property of CLEC has been abandoned or left unclaimed . . . ."

<sup>2</sup> See 8.2.1.31. above.

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



1 The second difference relates to what should be contained in Qwest's notice to  
2 CLECs that the property has been abandoned. Qwest language merely requires  
3 Qwest to "notify CLEC in writing of the existence of such equipment or property."<sup>4</sup>  
4 AT&T's language is more detailed requiring Qwest to provide to CLEC in writing  
5 "(i) the identification of the affected Collocation Premises, (ii) the bases for Qwest's  
6 determination of abandonment, (iii) a point of contact at Qwest regarding the claimed  
7 abandonment and (iv) notice that CLEC has no less than thirty (30) Days to remove  
8 its equipment or property." If Qwest intends to assert title to a CLEC's property, it is  
9 only reasonable for Qwest to provide an informative notice before it does so.  
10 Without this minimal information, a CLEC could spend a substantial portion of the  
11 thirty-day notice period just trying to understand the reason for the Qwest  
12 determination and the location of the affected collocation site. In addition, requiring  
13 the identification of a point of contact will facilitate information sharing and  
14 resolution of issues.  
15 The third difference relates to mitigation of damages. Qwest's language does not  
16 require it to mitigate its damages,<sup>5</sup> whereas AT&T's language does. I have been  
17 advised by counsel that mitigation of damages is required under Washington law.  
18 The final difference relates to providing an accounting of property, if an affected  
19 CLEC requests it. Qwest's language has no requirement of an accounting.<sup>6</sup> AT&T

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<sup>4</sup> See Qwest Proposed Language, Joint Disputed Issues List, Issue 22 at p.18. The first sentence of Qwest's proposal states, in part, "If Qwest finds, in the course of business, evidence to substantiate that any equipment or property of CLEC has been abandoned or left unclaimed..."

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

1 originally required an accounting in every situation where Qwest asserted title based  
2 on abandonment.<sup>7</sup> AT&T altered its proposal to only require such an accounting  
3 when an affected CLEC requests it, as long as the CLEC agrees to bear the reasonable  
4 expenses associated with the preparation of the accounting. Although AT&T believes  
5 that an accounting is appropriate if Qwest appropriates a CLECs property for its own  
6 use or sells such property, it can understand Qwest's stated concern that it should not  
7 have to expend such funds if a CLEC has no interest in the property.<sup>8</sup> However, if the  
8 CLEC requires such an accounting for purposes such as tax, bankruptcy proceedings,  
9 etc., Qwest should provide it as Qwest has taken over the possession of such  
10 equipment and must account for it anyway under GAAP.

11 **IV. ISSUE 30. SECTIONS 21.1.2.3.1 & 21.1.2.3.2: BILLING FOR TRAFFIC**  
12 **WITHOUT CIC CODES**

13 **Q. PLEASE DESCRIBE ISSUE 30, THE BILLING FOR TRAFFIC WITH NO**  
14 **CIC (CARRIER IDENTIFICATION CODE) OR OCN (OPERATING**  
15 **COMPANY NUMBER).**

16 A. AT&T seeks a mutual obligation to provide (i) Operating Company Numbers  
17 ("OCNs") on local/intraMTA/intraLATA toll calls that are handled within the local  
18 exchange carriers' ("LEC") networks and that don't involve an Interexchange Carrier  
19 ("IXC"), and (ii) Carrier Identification Codes ("CIC") on calls that do involve IXCs.<sup>9</sup>  
20 The terminating carrier utilizes such a code to determine who the originating carrier is  
21 so it may bill access charges to the proper party. As both parties have the ability as

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<sup>7</sup> See AT&T's Proposed Language, Joint Disputed Issues List, Issue 22 at p. 19.

<sup>8</sup> See Direct Testimony of Philip Linse at p. 12, 1.6-8.

<sup>9</sup> The CIC code identifies the interexchange carrier and the OCN identifies the local-intraMTA/intraLATA toll local exchange carrier so that the terminating carrier knows to whom it should bill terminating charges.

1 the transiting carrier to provide the CIC or OCN and it is difficult (in the instance of  
2 OCN) or impossible (in the instance of CIC) to do so as the terminating carrier, either  
3 party fails to provide this information within the billing record, the party that has  
4 failed to include the CIC or OCN identifier will be responsible to the terminating  
5 carrier for intercarrier compensation charges that the terminating carrier would  
6 otherwise bill to the originating carrier or IXC if the OCN or CIC had been provided.

7 **Q. PLEASE EXPLAIN THE NEED FOR CIC CODES.**

8 A. When IXC calls come to the terminating carrier through the transiting carrier's  
9 tandem, the transiting carrier knows from whom it is receiving the calls and must  
10 provide the CIC to the terminating carrier within the billing record or else the  
11 terminating carrier will not know the identity of the IXC it should bill. The transiting  
12 carrier either knows because the code is embedded in the call or because it knows  
13 what trunk the call came from. If the transiting carrier does not provide the  
14 information, the terminating carrier will have no other means of obtaining it.  
15 Accordingly, the transiting carrier's failure to provide CICs will result in the  
16 terminating carrier's inability to bill access charges to the proper carrier. Since the  
17 transiting carrier receives the call in the first place (over a dedicated trunk group with  
18 a "hard-coded" CIC), it should be responsible to provide the information to  
19 terminating carrier. If the transiting carrier will not expend the effort to provide this  
20 information, then the terminating carrier should be able to charge the transiting carrier  
21 for the access revenue the terminating carrier is unable to bill to the appropriate  
22 carrier due to transiting carrier's failure to provide the CIC.

1 In the case of AT&T using UNE-P to provision service, Qwest is the only party with  
2 access to the records and information required to provide the CIC or to research the  
3 trunk records of the call. AT&T is essentially paying Qwest for this signaling-related  
4 data stream so that it can bill its end users and the IXCs that are terminating long  
5 distance traffic to the AT&T end users. AT&T has no visibility into the Qwest access  
6 trunks that are terminating the call to the AT&T UNE-P customer. AT&T expects  
7 that Qwest offer explicit guarantees of assistance so that AT&T can recover the  
8 revenue to which it is entitled.

9 **Q. PLEASE EXPLAIN THE NEED FOR OCNS.**

10 A. Similar to the requirement for CICs, the transiting carrier should provide the  
11 terminating carrier with the OCN on other call types because the transiting carrier is  
12 directly interconnected with the originating carrier and is therefore able to obtain or  
13 derive the OCN by virtue of the dedicated connections. When AT&T is the  
14 terminating carrier, it generally pays Qwest for billing records that are supposed to  
15 include the CIC or OCN, the information should be contained in those records. If not,  
16 Qwest should bear responsibility for this omission.

17 **Q. PLEASE DESCRIBE THE TYPES OF ARRANGEMENTS TO WHICH ISSUE**  
18 **30 IS APPLICABLE.**

19 A. This issue arises when AT&T, or arguably Qwest; uses its terminating recordings to  
20 bill carriers for calls completing to AT&T's network. In this case, AT&T is unable to  
21 bill the correct originating carrier when that carrier is utilizing Qwest's switch on an  
22 unbundled basis, unless AT&T receives the OCN from Qwest. In addition, when

1 AT&T terminates intraMTA wireless or intraLATA toll calls routed through Qwest's  
2 tandem, AT&T will likewise not know what carrier to bill unless Qwest provides the  
3 OCN to AT&T. Without the provided information, AT&T must currently manually  
4 examine each call record with the missing OCN and plot the originating NPA-NXX  
5 against local routing numbers from the local number portability databases to identify  
6 the originating company. AT&T is expending funds to automate this process.

7 **Q. WHY DOES AT&T REQUIRE THE OCN OF THE ORIGINATING**  
8 **CARRIER WHEN THE ORIGINATING CARRIER IS UTILIZING QWEST'S**  
9 **SWITCH ON AN UNBUNDLED BASIS?**

10 A. Because the call originates from a Qwest switch, the AT&T switch will see Qwest as  
11 the originating carrier. That is who AT&T will bill unless Qwest provides the OCN  
12 of the carrier using UNE switching to originate the call. Without the OCN, AT&T  
13 will not know the correct carrier to bill.

14 **Q. DOES QWEST HAVE THIS OCN INFORMATION?**

15 A. Yes it does. Qwest records the originating call and is also aware of what other CLECs  
16 are purchasing Qwest's unbundled local switch elements, so although the originating  
17 carrier is not known by AT&T, Qwest does have the information.

18 **Q. WHY DOES AT&T REQUIRE THE OCN OF THE ORIGINATING**  
19 **CARRIER FOR INTRAMTA AND INTRALATA TOLL CALLS?**

20 A. This is similar to the need for an IXC CIC. These calls come from carriers to Qwest's  
21 network and are then routed to AT&T. AT&T needs the OCN for these carriers in  
22 order to bill them and Qwest has this information. If for some reason Qwest did not

1 have this information, it is in a position to obtain it since Qwest is interconnected with  
2 such carriers.

3 **Q. HAS QWEST PROPOSED ANOTHER MEANS TO OBTAIN THE**  
4 **ORIGINATING OCN?**

5 A. Qwest has proposed it will pass along OCN when it is known, but will not take  
6 liability for calls where this information is unavailable. AT&T is asking for language  
7 in the ICA that will require Qwest to be proactive in providing this information in the  
8 event the signaling information does not provide it and take financial responsibility  
9 for those calls. This is being proposed as a reciprocal obligation of both AT&T and  
10 Qwest.

11 **V. ISSUE 33. SECTION 21.2.4: ALTERNATIVELY BILLED CALLS**

12 **Q. PLEASE EXPLAIN WHAT ALTERNATIVELY-BILLED SERVICES CALLS**  
13 **ARE.**

14 A. Alternate Billed Services (“ABS”) means a service that allows end users to bill calls  
15 to accounts that may not be associated with the originating line. In other words, these  
16 are accounts held with carriers other than the end user’s local provider. There are  
17 three types of ABS calls: calling card, collect and third number billed calls. In these  
18 scenarios, AT&T may not be the provider who is entitled to the revenue for these  
19 calls.

20 **Q. SHOULD THE BILLING OF ALTERNATELY BILLED SERVICES CALLS**  
21 **BE PART OF THIS INTERCONNECTION AGREEMENT?**

1 A. No. Arrangements for ABS calls are in the nature of billing and collection  
2 agreements. Interconnection agreements under section 252 of the Act are for the  
3 purpose of establishing interconnection for the exchange of traffic and the sale by the  
4 incumbent carrier of certain services such as UNEs and collocation to a CLEC.  
5 Certainly billing arrangements between AT&T and Qwest for the services they  
6 provide to each other are appropriate and are included in the Proposed  
7 Interconnection Agreement. In this way, each party to the interconnection agreement  
8 can bill the other for the wholesale services they provide to each other. However, a  
9 billing and collection agreement that makes AT&T Qwest's agent for billing end  
10 users for retail services provide by Qwest, or other carriers, is not required by the Act.  
11 As a result, arrangements for ABS calls should not be included in an interconnection  
12 agreement and should not be the subject of an arbitration under section 252 of the  
13 Act.

14 **Q. WHAT IS QWEST'S POSITION ON THIS ISSUE?**

15 A. Qwest intends to bill AT&T directly for ABS calls when AT&T has a UNE or Resale  
16 customer.

17 **Q. WHY DOES AT&T OBJECT TO QWEST'S PROPOSAL?**

18 A. As stated above, AT&T is not required by the Act to enter into a billing and  
19 collection arrangement with Qwest for ABS calls. The completion of these calls can  
20 generate a billing relationship with a third party that is not a party to this  
21 interconnection agreement, or it can involve a billing relationship with Qwest for  
22 services that are not provided pursuant to the interconnection agreement between

1 AT&T and Qwest. Moreover, under the Qwest proposal, AT&T would be required to  
2 automatically compensate Qwest for the charges payable to a third party who has  
3 completed these ABS calls. AT&T will then be required to collect those charges  
4 from its resale/UNE-P based customer that accepted those charges explicitly or  
5 implicitly when allowing the call to be completed to its station. As a result, Qwest's  
6 proposal shifts to AT&T all the costs and risks of billing and collection for a service  
7 AT&T did not even provide.

8 Furthermore, the Qwest proposal is incomplete and inadequate. The Qwest proposal  
9 is incomplete because it provides three sentences that address the only thing Qwest  
10 really cares about – being paid at a high rate without any collection risk. It does  
11 nothing for AT&T, except expose it to costs of billing, costs of collection and the risk  
12 of being unable to collect. These are all topics that require negotiation. The  
13 compensation proposed by Qwest is also inadequate. In response to Qwest Data  
14 Request 01-007 in the Colorado proceeding, AT&T produced the “Alternate Billed  
15 Services ‘ABS’ Agreement” recently entered into between AT&T and SBC for  
16 thirteen states. This is a sixteen-page agreement, freely negotiated between AT&T  
17 and SBC. The terms provide a 40% discount to AT&T on all accounts receivable. In  
18 addition, SBC pays AT&T \$.05 per billed message. This is substantially better than  
19 the Qwest proposed financial arrangement. In addition, this agreement deals with  
20 other terms as well, such as call blocking, billing services (e.g., support provided by  
21 SBC in connection with alternate billed calls), unbillables, rejects, uncollectibles, etc.  
22 AT&T and Qwest need to take the time to negotiate terms of an arrangement for



1           alternatively billed calls. Qwest should not be allowed to leverage this arbitration to  
2           avoid such a negotiation or to force its one-sided terms on AT&T. I am attaching a  
3           copy of the SBC/AT&T agreement as **Exhibit MH-2** to my testimony.

4   **Q.    CAN YOU GIVE AN EXAMPLE OF HOW THE ALTERNATIVE BILLED**  
5   **CALLS WILL OCCUR AND THE BILLING RELATIONSHIPS THAT WILL**  
6   **BE REQUIRED WHEN A THIRD PARTY IS INVOLVED?**

7   A.    Let's use the following example. An AT&T UNE-P customer accepts a collect call  
8           from an operator service provider ("OSP") that is providing service to a prison in a  
9           distant state. Under the Qwest proposal, AT&T would be automatically billed by  
10          Qwest for the cost of the call, and Qwest would remit AT&T's payment to the OSP.  
11          AT&T, therefore, would need to incur the costs of isolating those charges from the  
12          bill, placing those charges in a distinct place on the customer's bill, and collecting  
13          those charges from the customer. In these cases, the customer might dispute the bill  
14          and not agree to pay those charges to AT&T. AT&T, as the **local** service provider,  
15          has little recourse other than to enter into a dispute with the customer over the bill to  
16          collect for services it did not provide. In most cases, AT&T cannot disconnect local  
17          service for the failure to pay that bill. What Qwest has essentially done in this case is  
18          to provide a ready source of funds from AT&T for Qwest's relationship with the  
19          OSP, and has exported the billing and collection costs and risk to AT&T.

20   **Q.    WHAT IS AT&T PROPOSING AS AN ALTERNATIVE SOLUTION?**

21   A.    AT&T seeks to make these processes subject to a separate negotiated agreement  
22          whereby all the details with respect to these billing and collection costs and  
23          responsibilities are part of a separate defined agreement. AT&T is prepared to enter

1 into such discussions with Qwest at any time. Such an agreement should be separate  
2 from the interconnection agreement because billing and collection agreements for  
3 retail services provided by third parties are not required by the Act. If experience is  
4 any indicator, Qwest will argue that the parties have already been employing its  
5 suggested billing arrangement in Washington. However, this is of no import based on  
6 the fact that AT&T, until recently, rarely incurred any expense of third party billing  
7 arrangement with Qwest due to AT&T's lack of entry into the local market.  
8 Accordingly, AT&T viewed the arrangement as language without any impact.  
9 However, as AT&T anticipates its volume will increase in the future, the need for a  
10 formalized and equitable billing arrangement increases.

11 **Q. WHAT DOES AT&T SEEK FROM THE COMMISSION ON THIS ISSUE?**

12 A. AT&T urges the Commission to recognize that arrangements for ABS calls do not  
13 belong in an interconnection agreement and are not subject to the arbitration  
14 requirement of section 252 of the Act. If the Commission does not make this finding,  
15 AT&T requests a reasonable period of time to negotiate the terms of such an  
16 arrangement with Qwest.

17 **VI. ISSUE 34. SECTION 21.8: BILLING FOR INTRA-LATA TOLL CALLS**  
18 **WHEN QWEST IS THE LPIC.**

19 **Q. PLEASE SUMMARIZE THE NATURE OF THE DISPUTE ON ISSUE 34.**

20 A. This issue is similar to Issue 33, in that Qwest seeks to force AT&T to be Qwest's  
21 billing and collection agent for Qwest long distance customers who happen to be  
22 AT&T local customers. As with ABS calls, there is nothing in the Act that requires

1 AT&T to be Qwest's billing and collection agent for long distance calls placed by  
2 Qwest long distance customers. Consequently, this matter should not be subject to  
3 arbitration under section 252 of the Act.

4 **Q. DOES AT&T AS A LONG DISTANCE PROVIDER BILL ITS LONG**  
5 **DISTANCE CUSTOMERS DIRECTLY?**

6 A. Yes it does, although it does have negotiated billing and collection agreements with  
7 some carriers who do perform a billing and collection function on behalf of AT&T.  
8 However, I must make clear that AT&T does not have a mechanism to compel these  
9 carriers to act as AT&T's billing and collection agent. AT&T has to negotiate these  
10 agreements and enter into them on terms and conditions that are mutually agreeable.  
11 Qwest must be required to do the same, yet Qwest seeks to improperly gain an  
12 advantage through this arbitration that other long distance carriers do not have.

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

14 A. Yes.