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6
7 IN THE MATTER OF QWEST
CORPORATION'S TARIFF FILING TO
8 INTRODUCE A NEW RATE
STRUCTURE FOR AN ACCESS
9 SERVICE USED BY INTEREXCHANGE
10 CARRIERS

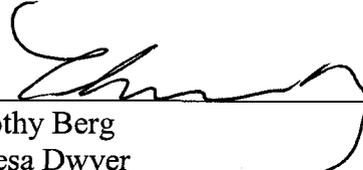
Docket No. T-01051B-01-0391

**QWEST CORPORATION'S NOTICE OF
FILING**

11 Notice is hereby given that Qwest Corporation ("Qwest") is filing herewith the testimony
12 of Scott A. McIntyre, Director - Product and Market Issues at Qwest Corporation.

13 RESPECTFULLY SUBMITTED this 30th day of November, 2001.

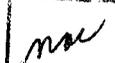
14
15 FENNEMORE CRAIG

16
17 By 
18 Timothy Berg
Theresa Dwyer
19 3003 N. Central Avenue
Suite 2600
20 Phoenix, Arizona 85004
Attorneys for Qwest Corporation

21 ORIGINAL and 10 copies of the
22 foregoing filed this 6th day of
November, 2001, with:

23 Docket Control
24 ARIZONA CORPORATION COMMISSION
1200 West Washington Avenue
25 Phoenix, Arizona 85007
26

Arizona Corporation Commission
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1 COPY of the foregoing hand delivered
2 this ~~30th~~ day of November, 2001, to:

3 Ernest Johnson
4 Utilities Division
5 ARIZONA CORPORATION COMMISSION
6 1200 West Washington Avenue
7 Phoenix, Arizona 85007

8 Chris Kempley, Chief Counsel
9 Maureen Scott
10 Legal Division
11 ARIZONA CORPORATION COMMISSION
12 1200 West Washington Avenue
13 Phoenix, Arizona 85007

14 Lyn Farmer, Chief Administrative Law Judge
15 Hearing Division
16 ARIZONA CORPORATION COMMISSION
17 1200 W. Washington
18 Phoenix, AZ 85007

19 COPY of the foregoing mailed
20 this ~~30th~~ day of November, 2001, to:

21 David M. Kaufman
22 e-spire Communications, Inc.
23 343 W. Manhattan Avenue
24 Santa Fe, NM 87501

25 Michael W. Patten
26 Roshka, Heyman & DeWulf, P.C.
One Arizona Center
400 E. Van Buren St., Ste. 800
Phoenix, AZ 85004

Dennis D. Ahlers
Eschelon Telecom of Arizona, Inc.
730 Second Avenue South, Ste. 1200
Minneapolis, MN 55402-2456

24
25
26

1 Danny Oberg
2 Regulatory Manager
3 Illuminet
4 PO Box 2909
5 Olympia, WA 98507

- 6
- 7
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BEFORE THE ARIZONA CORPORATION COMMISSION

**IN THE MATTER OF QWEST)
CORPORATION'S TARIFF FILING TO)
INTRODUCE A NEW RATE) DOCKET NO. T-01051B-01-0391
STRUCTURE FOR AN ACCESS)
SERVICE USED BY INTEREXCHANGE)
CARRIERS)**

**DIRECT TESTIMONY
OF
SCOTT A. MCINTYRE
DIRECTOR – PRODUCT AND MARKET ISSUES
QWEST CORPORATION
NOVEMBER 30, 2001**

**DIRECT TESTIMONY OF SCOTT A. MCINTYRE
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I. EXECUTIVE SUMMARY

Signaling System 7 (SS7) is a signaling network that works in conjunction with the public switched network. SS7 allows for the signaling function, which is necessary for the completion of telephone calls, to be transmitted over a separate network. This configuration allows much greater efficiency and lower cost than transmitting these signaling functions over the call-carrying network.

The cost of the separate SS7 network has heretofore been included in other switched access rate elements. Because different carriers and other service providers can utilize the SS7 network to differing degrees, it makes sense to establish a rate structure that directly supports the cost of the network. Qwest's tariff filing in this docket provides a rate structure wherein the actual users of the network pay for its use. Those who do not use the SS7 network should not be forced to support its cost.

The proposed rates and rate structure are exactly the same as those that currently exist in the FCC tariffs for interstate switched access. The rate structure was approved by the FCC on December 22, 1999 and the rates were approved on May 30, 2000. Eight other state commissions in Qwest's fourteen-state region have approved similar rate structures and

rates. In addition, Qwest has similar tariff applications pending in three states, including Arizona. Finally, Qwest plans to file SS7 rate elements in the remaining three states (Washington, South Dakota and Oregon) in 2002.

This filing is revenue neutral to Qwest. Current volumes of signaling messages have been multiplied by the proposed rates and the resulting annual revenues have been offset by reductions in other switched access rate elements. Different users of the switched network and the SS7 network will experience rate impacts based on their specific requirements and usage. The proposed changes are consistent with the general direction of the industry, which breaks the network down into more cost-based elements. This allows more providers to utilize the network in different ways without subsidizing the network configurations or usage of other service providers. The objective is for all users of the network to pay for the portions that they actually utilize. This filing is consistent with that objective and should be approved as proposed.

1

2

I. IDENTIFICATION OF WITNESS

3

4 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND PLACE OF**
5 **EMPLOYMENT.**

6 A. My name is Scott A. McIntyre. I work for Qwest Corporation and my title
7 is Director – Product and Market Issues. My responsibilities include
8 developing markets and prices strategies for Qwest and supporting these
9 positions in the regulatory arena. My business address is 1600 7th
10 Avenue, Room 3009, Seattle, Washington 98191.

11

12 **Q. PLEASE OUTLINE YOUR EMPLOYMENT AND EDUCATIONAL BACKGROUND.**

13 A. I earned a Bachelor of Science degree in Electrical Engineering at the
14 University of Washington in 1974. I have worked for Qwest (formerly U S
15 WEST Communications, Inc.) since 1970. In the past 31 years I have
16 held many positions that have given me a broad understanding of the
17 telecommunications business. I have experience in the installation and
18 repair of local residence and business telephone services. I also have
19 experience in analyzing and planning new central office equipment and
20 interoffice network facilities. I have performed cost analyses on many
21 aspects of the business and analyzed departmental budgets in great
22 detail. From 1987 to 1999, I managed private line voice and data

1 products. This included the development, pricing and marketing for a wide
2 range of products serving business customers across Qwest's fourteen-
3 state region.

4
5 Since July 1999, I have been in my current position as a policy and pricing
6 expert, representing Qwest in issues involving various business services,
7 including private line and switched access service. I also represent Qwest
8 on issues concerning competition and performance measures. This wide
9 range of experience has provided me with an understanding of how
10 services are provided, and the pricing and marketing necessary for these
11 services to be successful.

12
13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR ANY OTHER**
14 **COMMISSION?**

15 A. Yes, I have testified in Arizona and have also testified on different
16 occasions in Washington, Oregon, Colorado, New Mexico, Nebraska,
17 Minnesota, Utah, and Wyoming.

18
19 **II. INTRODUCTION**

20
21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my testimony is to explain what Signaling System 7 is,

1 signaling is when you pick up your phone. The connection from your
2 house to your local switch is an example of in-band signaling. Dial tone,
3 dialed digits, busy signals and the conversations themselves, all travel
4 over this one connection.

5
6 **Q. WHAT DO YOU MEAN WHEN YOU SAY "TEAR DOWN" A**
7 **CONVERSATION OR CIRCUIT?**

8 A. When a conversation is over and the customer hangs up the phone, this
9 action sends another signal to all of the switches involved in the circuit to
10 disconnect all segments of the call. This allows these network segments to
11 be used by subsequent callers. This process of disconnecting the various
12 segments of the circuit is called "tearing down" the circuit because all
13 segments are essentially disconnected at the same time.

14
15 **Q. HOW DOES IN-BAND SIGNALING WORK?**

16 A. In-band signaling is sent over the same path as the ultimate talking
17 connection. For example, for a call from Phoenix to Tucson a connection
18 might be set up from a Qwest end office in Phoenix to the Access tandem
19 serving that end office. In such a case, a trunk is seized from the end
20 office to the tandem and the dialed digits are transmitted either as dial
21 pulses or as multi-frequency tones. The tandem switch in Phoenix collects
22 the digits and recognizes that a path is needed to the interexchange

1 carrier (IXC) point of presence (switch) in the Phoenix LATA and the
2 dialed digits are transmitted forward over the circuit. The IXC then seizes
3 a trunk from this switch to their POP (switch) in the Tucson LATA. At that
4 switch, the IXC seizes a trunk to the Qwest access tandem in the Tucson
5 LATA. A trunk is then seized from the tandem to the Qwest end office in
6 Tucson serving the called party. When the digits finally arrive in Tucson, a
7 talking path has been established all the way from Phoenix. The switch in
8 Tucson then determines the destination of the call (end user) and attempts
9 to complete the connection. If the line is idle, then the call ringing is
10 initiated to announce the incoming call. When the party answers, the
11 signaling path becomes the talking connection for as long as the call lasts.
12 If the line is busy however, then the connection can not be completed. The
13 switch in Tucson signals back along the circuit to the switch in Phoenix
14 that the called line is busy and the calling customer hears a busy signal.
15 When the calling customer hangs up the phone, the entire circuit is torn
16 down and becomes available for use by other customers.

17
18 **Q. HOW DOES OUT-OF-BAND SIGNALING IMPROVE ON THIS**
19 **SCENARIO?**

20 **A.** Out-of-band signaling operates between all of the switches in the network.
21 SS7, which is the signaling standard design for North America, sends the
22 call set up signals and the called digits to all of the switches ultimately

1 involved in a successful call between Phoenix and Tucson over a totally
2 separate signaling network. The various intelligent nodes in the signaling
3 network determine what network links are necessary to set up the call but
4 they are not actually set up, that is, the talking trunks are not seized and
5 the switch connections are not made, until the call completes. The key is
6 that the talking connection is not physically established until the office at
7 the far end signals via the SS7 network that the called line is idle and
8 ready to accept the call. This means that limited and costly network
9 circuits are not held up for calls that cannot be completed. It allows much
10 more efficient use of the talking circuits. This reduces cost that translates
11 into lower rates overall for all users of the network.

12
13 **Q. BUT HAVEN'T YOU JUST REPLACED TALKING CIRCUIT CAPACITY**
14 **WITH SIGNALING NETWORK CIRCUITS AND SWITCHES?**

15 **A.** To some degree yes, but the cost of the signaling network is much less
16 than the cost of the network capacity it replaces. This is because signaling
17 messages are very short compared to conversations. One circuit in the
18 signaling network can send enough signals to handle the calls for up to
19 10,000 talking connections.

20
21 **Q. ARE THERE ANY BENEFITS TO THE SS7 NETWORK IN ADDITION**
22 **TO SAVING CIRCUITS?**

1 A. Yes. In addition to the simple concept of circuit efficiency, the SS7 network
2 also operates much faster than old in-band signaling. This not only
3 provides better service to customers but also saves network resources
4 since customers do not utilize the network while they wait for the system
5 to set up calls.

6

7 The SS7 network also allows for significant improvement in such services
8 as 800 numbers. SS7 allows for 800 numbers to be maintained in a
9 database. This means that when an 800 number is called, a query can be
10 sent to the 800 database in the form of a signaling message. The
11 database then provides the information on where the call is to be
12 terminated. This allows much more flexibility for 800 service and makes
13 them more valuable to providers and easier to use for customers.

14 For example, one 800 number might be routed to one location during the
15 day and a different location at night. The database manages where the
16 calls are routed and since the SS7 network looks up this information with
17 every call, only the database requires changing. This means that
18 customers need know only one 800 number but the call can be routed
19 according to the business needs of the 800 customer.

20

21 **Q. HOW LONG HAS THE SS7 NETWORK BEEN IN EXISTENCE?**

22 A. It has existed in concept and planning stages for several decades, but its

1 implementation began in the early 1990's. It has only recently become
2 fully integrated into the network.

3

4 **Q. WHY IS QWEST NOW SEPARATING OUT THESE SIGNALING**
5 **ELEMENTS?**

6 A. The SS7 signaling network has only become fully operational in the last
7 couple of years. Implementation has been progressive as switching nodes
8 and links have been established. Until complete implementation,
9 piecemeal billing of these signaling elements would have been very
10 difficult and certainly confusing for customers. Now that the network is
11 complete it makes sense to separate out these signaling elements. This
12 will allow different network users to use different parts of the network but
13 only pay for what they use.

14

15 **Q. HOW HAVE THE COSTS FOR THIS NETWORK BEEN RECOVERED**
16 **UP UNTIL NOW?**

17 A. The costs for the SS7 network have been included with other switched
18 access costs and recovered through standard switched access rate
19 elements.

20

1

2

IV. PROPOSED TARIFF

3

4 **Q. WHAT HAS QWEST PROPOSED IN THIS TARIFF FILING?**

5 A. Qwest has proposed establishing five new rate elements for signaling
6 functions. These new elements will be charged for messages sent over
7 the SS7 signaling network. Qwest has also proposed to reduce other
8 switched access rate elements as a revenue offset.

9

10 **Q. WHAT ARE THE NEW ELEMENTS AND THEIR FUNCTIONS?**

11 A. The new elements are:

- 12 1) ISUP Signal Formulation -This element is assessed per call set-up
13 request to formulate signaling messages
- 14 2) ISUP Signal Transport – This element is assessed per call set-up
15 request to transport the messages
- 16 3) TCAP Signal Transport – This element is assessed for data requests
17 to foreign (non-Qwest) data bases
- 18 4) ISUP Signal Switching – This element is assessed per call set-up
19 request that is switched by a Qwest SS7 node
- 20 5) TCAP Signal Switching – This element is assessed for data requests
21 to foreign data bases that are switched by Qwest SS7 nodes

22

1 **Q. WHY SHOULD THESE RATE ELEMENTS BE SPLIT OUT NOW?**

2 A. SS7 signaling has become ubiquitous throughout the network. Different
3 network users, such as interexchange carriers and those who serve those
4 carriers, utilize SS7 signaling to different degrees. Currently, all customers
5 who purchase access switching minutes of use pay for SS7 signaling
6 whether they in fact use it or not. Since this is a separate network, with
7 unique services to offer, it should be self-supporting. There are many
8 more service providers now than there used to be and these service
9 providers utilize the network in different ways. Some of these service
10 providers should not subsidize the business efforts of others.

11

12 **Q. HOW DID QWEST MAKE THIS PROPOSAL REVENUE NEUTRAL?**

13 A. We counted the intrastate signaling messages carried by the SS7 network
14 and multiplied this volume by the proposed rates. This provided an annual
15 revenue increase as a result of these new elements. Existing rate
16 elements were then lowered as a revenue offset. This results in no change
17 to Qwest's annual revenue level.

18

19 **Q. HOW DID QWEST SET THE RATES FOR THE SIGNALING ELEMENTS**
20 **PROPOSED IN THIS TARIFF?**

21 A. Qwest performed a state-specific cost study to establish the price floor for
22 any rates that might be set for each rate element. Since it is Qwest's

1 policy to mirror interstate rates where possible, Qwest then set the new
2 element rates at the interstate rate levels after having established that
3 those rates were above the established price floors for those elements.
4

5 **Q. WHY HAS QWEST PROPOSED TO USE THE SAME RATES FOR**
6 **SIGNALING MESSAGES AS FOUND IN THE FCC TARIFF? ARE ALL**
7 **INTRASTATE RATES SET EQUAL TO INTERSTATE RATES?**

8 A. Since interstate and intrastate access service elements are essentially
9 identical, Qwest attempts, where possible, to set the rates charged for like
10 elements at the same rate. This is not only a reasonable policy, but also
11 one that is appreciated by access customers managing both intrastate and
12 interstate access supported services.

13
14 There are two key reasons however, why state switched access rates are
15 often different than interstate (FCC) rates. The first is that the history of
16 state public policy typically follows the philosophy that switched access
17 produces revenue support that helps keep local service rates down. The
18 second is that FCC rates are regulated using a price cap approach. This
19 means that rates are assumed to be above cost in aggregate and are
20 adjusted annually based on calculations affecting large groups of services
21 known as "baskets". In certain cases, these rates might be below cost if
22 calculated using state specific cost studies.

1

2 Generally, state philosophies about switched access support for local
3 service are shifting and implicit subsidies are being eliminated. As a result,
4 state rates are typically getting closer to interstate (FCC) rates. In this
5 case, the proposed rates are above cost as determined by a state specific
6 study and there is no advantage to building in additional margins to
7 support local service. It therefore makes sense to price these elements at
8 current FCC rate levels.

9

10 **Q. WHEN DID THESE RATE ELEMENTS BECOME EFFECTIVE IN THE**
11 **FCC TARIFF?**

12 A. The FCC approved Qwest's (then U S WEST's) petition to establish these
13 rate elements on December 22, 1999. (CCB/CPD 99-37)

14

15 **Q. WAS QWEST'S PETITION TO ESTABLISH THESE RATE ELEMENTS**
16 **OPPOSED BY ANY OTHER PARTY?**

17 A. No. Qwest's petition was unopposed.

18

19 **Q. DID ANY OTHER PARTY FILE COMMENTS ON THIS PETITION?**

20 A. No. The FCC's Public Notice s on July 27, 1999, seeking comment
21 resulted in no filed comments by any party.

22

1 **Q. DID THE FCC ORDER ADOPTING QWEST'S PETITION MAKE**
2 **COMMENTS IN SUPPORT OF THE PETITION?**

3 A. Yes. In paragraph 7 the Order states "We also find that the U S WEST
4 proposed restructure is in the public interest because it will permit U S
5 WEST to recover its SS7 costs in a way that reflects more accurately the
6 manner in which those costs are incurred." In paragraph 9 the order goes
7 on to say, "We further conclude that it would be in the public interest to
8 grant U S WEST's petition because the proposed services add to the
9 range of options available to U S WEST customers."

10

11 **Q. WON'T FCC RATES CHANGE EVERY YEAR WITH THE REQUIRED**
12 **ANNUAL FILING AND WON'T THAT RESULT IN RATE DISPARITY**
13 **AGAIN?**

14 A. That is possible, but not all FCC rates are adjusted every year and we do
15 not expect changes in FCC signaling rates in the near future. In any case,
16 it makes sense to start out with the same rates as the FCC current rates
17 even though future regulatory policies may affect these rates differently
18 going forward.

19

20 **Q. WHAT EXISTING ARIZONA SWITCHED ACCESS RATE ELEMENTS**
21 **WILL BE REDUCED AS AN OFFSET TO THESE NEW RATE**
22 **ELEMENTS?**

1 A. We are proposing to lower the rates for local switching and also the rates
2 for originating and terminating Carrier Common Line (CCL).

3

4 **Q. WHY ARE YOU REDUCING LOCAL SWITCHING RATES?**

5 A. The costs for SS7 signaling are most aligned with switching costs rather
6 than costs for transport or other elements of switched access. This makes
7 reducing the switching rate elements reasonable since signaling costs will
8 now be covered by their own rate elements. Previous cost studies have
9 included the costs for signaling in the switching elements.

10

11 **Q. WHY ARE CCL ELEMENTS BEING REDUCED?**

12 A. Any purchaser of local switching also pays for Carrier Common Line
13 charges so the benefit to customers is similar whether local switching or
14 CCL is reduced. In addition, CCL has no cost basis and is considered a
15 source of implicit subsidy for local service. Eliminating this rate element is
16 a long-term goal for the Arizona Commission and any opportunity to
17 reduce it should be utilized. This revenue neutral filing provides such an
18 opportunity.

19

20 **Q. WILL ALL CUSTOMERS BE AFFECTED EQUALLY BY THESE**
21 **PROPOSED RATES?**

22 A. No. As with any revenue neutral filing, different customers are affected

1 differently. This is because different customers utilize the network in
2 different ways depending on how they operate their businesses. In this
3 case, some customers will utilize more SS7 signaling than others in
4 proportion to their use of local switching and carrier common line elements
5 whose rates are being reduced. This proposal balances use of the
6 network with the cost to support it.

7
8 **Q. HOW MIGHT ONE CUSTOMER USE MORE SIGNALING THAN**
9 **ANOTHER?**

10 A. One long distance carrier, for example, might specialize in long distance
11 calls of a long duration. This company might have rates that encourage
12 longer calls of say 20 minutes or longer. This would mean that signaling
13 would be necessary less often than another carrier that specializes in
14 shorter calls. If this other carrier averaged calls of only five minutes for
15 example, it would use four times as much signaling as the first carrier.
16 This proposal insures that the carrier that uses the network more pays
17 more, while the carrier that uses it less, pays less. It is a more equitable
18 rate structure.

19
20 **Q. DO ALL CARRIERS UTILIZE SS7 TECHNOLOGY?**

21 A. No there are some small carriers who still utilize in-band signaling
22 because an SS7 network is too expensive for low volumes of traffic.

1

2 **Q. HOW DOES QWEST INTERFACE WITH THESE SMALL CARRIERS?**

3 A. While Qwest prefers to interface on an SS7 basis for network efficiency,
4 we will meet these small carriers on an in-band signaling basis.

5

6 **Q. MIGHT THESE SMALL CARRIERS UTILIZE A SIGNALING PROVIDER**
7 **SUCH AS ILLUMINET?**

8 A. Yes, that is an option as well.

9

10 **Q. DO SOME CARRIERS CURRENTLY PAY MORE TO SET UP A CALL**
11 **THAN OTHERS?**

12 A. Yes. Currently, signaling is recovered through rate elements that are
13 based on minutes of use. This means that calls of longer duration provide
14 more revenue to recover signaling costs than those of shorter duration.
15 Since the call set up portion of these calls is the same, carriers of long
16 duration calls effectively pay more for the call set up function.

17

18 **Q. DOES QWEST'S PROPOSED RATE STRUCTURE SOLVE THIS**
19 **PROBLEM?**

20 A. Yes. Since the call set up function is the same for a short call and a long
21 call, carriers of each type will pay the same for the set up function. This is
22 a far more equitable structure than the current tariff provides.

1

2 **Q. ARE THERE OTHER TYPES OF CUSTOMERS THAT MAY USE THE**
3 **SS7 NETWORK DIFFERENTLY AND THEREFORE BE AFFECTED**
4 **DIFFERENTLY BY THIS PROPOSAL?**

5 A. There are access customers, known as third-party providers, who serve
6 the interexchange carrier community at large by providing SS7 signaling
7 services to those customers who choose not to incorporate their own SS7
8 network. Since these customers have, in many cases, no offsetting
9 reductions due to the reduced local switching and CCL rates proposed in
10 Qwest's filing, they will experience increases in their access billing
11 amounts. Since those third-party providers have had no other access
12 expenses in the form of switching minute of use charges, they have
13 effectively been receiving the use of Qwest's signaling network at no
14 charge. Those customers will, under the terms of the proposed tariff, pay
15 their fair share for the use of that network. Nonetheless, the typical
16 access service customer in Arizona will benefit from these proposed
17 changes.

18

19 **Q. WHAT IS THE TOTAL MAGNITUDE OF THE REVENUE INCREASES**
20 **FOR THESE SIGNALING RATE ELEMENTS?**

21 A. These new elements will generate just over \$6.5M in annual revenues.

22

1 **Q. WHAT ARE THE OFFSETTING REVENUE IMPACTS?**

2 A. Local switching will be reduced by about \$3.2M and CCL will be reduced
3 by about \$3.3M.

4

5 **Q. WILL MOST CUSTOMERS REALIZE DECREASES IN SWITCHING**
6 **AND INCREASES IN SIGNALING COSTS?**

7 A. Since most customers employ Qwest's SS7 signaling when interfacing
8 with Qwest's switching network, most customers will experience an
9 increase in SS7-related signaling costs. Since the majority of those
10 customers also purchase switching minutes of use from Qwest, those
11 same customers will also experience a decrease in their switching costs.
12 Although the increases and decreases will not necessarily match, the
13 tendency will be for most customers to experience a net savings through
14 this type of adjustment.

15

16 **Q. WILL ANY CUSTOMERS SEE AN INCREASE IN SIGNALING WITH NO**
17 **OFFSETTING DECREASE IN OTHER SWITCHED ACCESS**
18 **ELEMENTS?**

19 A. Evidently, yes. That appears to be the case for the customers that have
20 intervened in this case, such as Illuminet, who are, in large part, third-party
21 providers of SS7.

22

1 **Q. HOW IS THIS POSSIBLE?**

2 A. These customers will have to explain their use of the network, but it
3 appears that they set up calls for customers of their own but don't actually
4 carry any traffic and therefore don't pay for switched access minutes of
5 use from Qwest. Since they don't buy switched access, they won't realize
6 any reductions in those rate elements under this proposal. They will only
7 see the increases due to the new signaling rates. However, their
8 customers may see reduced charges as a result of the decreases being
9 proposed to local switching and CCL.

10

11 **Q. IS THIS FAIR?**

12 A. Yes. Those using the service should pay for it. Customers, such as
13 Illuminet, have been using the signaling portion of the network with no
14 charge up to this point and have created a business of charging other
15 carriers for what they obtain at no charge from Qwest.

16

17 **Q. ARE SOME CUSTOMERS CURRENTLY PAYING FOR SIGNALING
18 SERVICES TWICE?**

19 A. Yes, if they are paying Qwest for switched access and paying third party
20 providers for signaling services. Since Qwest currently recovers signaling
21 costs through basic switched access rates, these customers are implicitly
22 paying for signaling through Qwest access rates and explicitly paying

1 through third party signaling rates

2

3 **Q. IS QWEST ATTEMPTING TO ELIMINATE THIRD PARTY PROVIDERS**
4 **OF SS7, SUCH AS ILLUMINET?**

5 A. No. Qwest is simply lining up the Arizona intrastate access structure with
6 the FCC structure. This will insure that third party providers are paying for
7 the network services that they use and that the rate elements are cost-
8 based. Business plans for all service providers should be based on cost
9 supported services, not on subsidies or arbitrage pricing.

10

11 **Q. HOW WILL THIS PROPOSAL AFFECT THEIR BUSINESSES?**

12 A. I don't know. They may adjust their networks or the services they offer to
13 their customers. They may also have to adjust their service rates to their
14 customers. In the end there should be balance however as signaling costs
15 are real and must be recovered somewhere. Establishing new rate
16 elements just shifts how the cost is recovered, that is, directly from the
17 cost causer in a straightforward manner. It does not create new costs.

18

19 **Q. IS THERE A SENSE OF URGENCY IN ESTABLISHING THIS NEW**
20 **RATE STRUCTURE?**

21 A. Yes, there is some urgency. The current rate structure represents a
22 pricing anomaly. Some customers are paying for services they don't use

1 while others are using the service but not paying for it. The longer this
2 situation exists, the higher the likelihood that the marketplace will not
3 develop a balanced pricing structure. This means that the impact to
4 customers, both as providers and end users, will increase as time goes
5 on. It is the public interest to insure that the marketplace develops with
6 services based on their underlying cost. To do otherwise means that more
7 drastic measures to correct these anomalies will be required in the future.
8 The whole restructure of access service pricing that is currently underway
9 on a nationwide scale is a result of policies of prior years when service
10 prices were not based on their underlying costs and were not paid for by
11 those who used them.

12
13 **V. CONCLUSION**
14

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

16 A. Yes. The Signaling System 7 network was designed as a signaling
17 network to enhance the public switched network plus offer additional
18 functionality and features. The SS7 network has distinct costs and can be
19 used in distinct ways by different customers. To insure that network
20 services are cost-based and self supporting and insure that some users of
21 the network are not getting a free ride on the backs of others, the SS7
22 network should have rate elements that support its use. It is only fair that

1 those who take most advantage of the network pay for its use.

2 If all signaling were the same and affected all customers in the same way,
3 a case could be made for averaging the cost into basic network rate
4 elements, such as exist today. Since this is not the case however,
5 separate elements should be established. The potential for more efficiency
6 and new services is significant as customers create new ways to take
7 advantage of this new networking concept. Establishing the basic rate
8 elements for signaling use is important and should be accomplished as
9 soon as possible. This will prevent pricing anomalies and subsidies as
10 more and more uses are discovered for this signaling network. Some
11 customers may have to redesign their business plans or adjust their
12 networks as a result of these changes but this is better done today when
13 the impacts are relatively small, than later when many more services are
14 available from many more providers. The tariff proposed by Qwest should
15 be approved as submitted.

16

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

18 **A.** Yes, it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF QWEST)
CORPORATION'S TARIFF FILING TO)
INTRODUCE A NEW RATE)
STRUCTURE FOR AN ACCESS)
SERVICE USED BY INTEREXCHANGE)
CARRIERS)
STATE OF WASHINGTON)
COUNTY OF KING)

DOCKET NO. T-01051B-01-0391

AFFIDAVIT OF
SCOTT A. MCINTYRE

Scott A. McIntyre, of lawful age being first duly sworn, deposes and states:

1. My name is Scott A. McIntyre. I am Director – Product & Market Issues for Qwest Corporation in Seattle, Washington. I have caused to be filed written testimony in support of Qwest Corporation in Docket No. T-01051B-01-0391.
2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Further affiant sayeth not.

Scott A. McIntyre

SUBSCRIBED AND SWORN to before me this 29th day of November, 2001.



Lori L. White
Notary Public residing at
City, State Seattle, Washington

My Commission Expires: 7/10/03