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May 15, 2001

Arizona Corporation Commission
DOCKETED

MAY 16 2001

Docket Control
 Arizona Corporation Commission
 1200 West Washington Street
 Phoenix, AZ 85007

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| DOCKETED BY | <i>sd</i> |
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Re: ACC Docket No. T-00000A-00-0194

Dear Docket Control:

Enclosed please find the original and ten (10) copies of the *Direct Testimony of Rex Knowles [Non-Proprietary Version]* on behalf of AT&T Communications of the Mountain States, Inc., WorldCom, Inc. and XO Arizona, Inc., in the above-referenced matter. Proprietary and Non-Proprietary versions of this testimony are being served in accordance with the attached certificate of service. If you have any questions, please contact me at the phone number, or e-mail address, above.

Very truly yours,

Davis Wright Tremaine LLP

Larry J. Weathers
 Paralegal

Enclosures

cc: Mary Steele
 Rick Wolters
 Caroline Butler, ACC

CERTIFICATE OF SERVICE

ACC Docket No. T-00000A-00-0194

I hereby certify that on the 15th day of May 2001, the original and ten (10) copies of the *Direct Testimony of Rex Knowles [Non-Proprietary Version]* on behalf of AT&T Communications of the Mountain States, Inc., WorldCom, Inc. and XO Arizona, Inc., in the above-referenced docket, were sent via FedEx next business morning delivery to:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

And, I further certify that on the 15th day of May 2001, the original and three (3) copies of the *Direct Testimony of Rex Knowles [Proprietary Version]* and three (3) copies of the *[Non-Proprietary Version]* were sent via FedEx next business morning delivery to:

| |
|--|
| Jane Rodda Administrative Law Judge Hearing Division Arizona Corporation Commission 1200 West Washington Street Phoenix, AZ 85007 |
|--|

And one true and correct copy of both the **Proprietary** and **Non-Proprietary** versions of the foregoing were sent via FedEx next business morning delivery to:

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And one true and correct copy of the **Non-Proprietary** version of the foregoing was sent via U S Mail to:

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Dated this May 15, 2001

by Ramy Weather

BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN
JIM IRVIN
COMMISSIONER
MARC SPITZER
COMMISSIONER

IN THE MATTER OF INVESTIGATION) DOCKET NO. T-00000A-00-0194
INTO U S WEST COMMUNICATIONS,)
INC.'S COMPLIANCE WITH CERTAIN)
WHOLESALE PRICING REQUIREMENTS))
FOR UNBUNDLED NETWORK)
ELEMENTS AND RESALE DISCOUNTS)

DIRECT TESTIMONY OF

REX KNOWLES

ON BEHALF OF

THE JOINT CASE OF

AT&T COMMUNICATIONS OF THE MOUNTAIN STATES, INC.,

WORLDCOM, INC. AND XO ARIZONA, INC.

NON-PROPRIETARY VERSION

May 16, 2001

1 Northwest from 1989 to 1993 as a regulatory staff assistant and product manager
2 responsible for incremental cost studies and creation and implementation of extended
3 area service ("EAS") and 911. From 1993 to 1996, I was employed by Central Telephone
4 of Nevada as manager of revenue planning and research and was responsible for
5 supervising cost study preparation and developing and implementing regulatory reform,
6 including opening the local exchange market to competition and alternative forms of
7 regulation for ILECs. I joined the XO organization in 1996 and have been in my current
8 position with the company since Spring 2000.

9
10 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN OTHER REGULATORY**
11 **PROCEEDINGS?**

12
13 A. Yes, I have testified on a variety of costing, pricing, and policy issues in proceedings in
14 Washington, Utah, and Arizona.

15
16 **Q. WHAT IS THE PURPOSE OF YOUR RESPONSE TESTIMONY?**

17 A. The purpose of my response testimony is to address Qwest's proposed rates for
18 collocation and field verification for conduit occupancy. Many of Qwest's proposed
19 prices are grossly inflated and patently unreasonable. Qwest bases its proposed
20 collocation rates on assumptions that are unsubstantiated or bear no relationship to reality
21 or forward-looking costing principles. I address some of these assumptions and propose
22 that Qwest's rates for entrance facilities, space construction, and terminations be

1 established at substantially lower levels comparable to the rates recently established by
2 the Washington Utilities and Transportation Commission. With respect to field
3 verification, I recommend that the Commission reject any such charge or, alternatively,
4 that the charge be substantially reduced to reflect costs reasonably incurred and
5 attributable to the CLEC requesting the conduit occupancy.

6
7 In addition, I address reciprocal compensation, specifically the applicability of tandem
8 rates and reciprocal compensation for traffic bound for Internet Service Providers
9 (“ISPs”) within a local calling area. I explain that once the Commission concludes that a
10 CLEC switch should be treated as a tandem for reciprocal compensation, the tandem rate
11 applies, even for traffic that originates at a Qwest end office. I also discuss that the FCC
12 recently issued an order that takes jurisdiction over the issue of compensation for ISP-
13 bound traffic from state commissions, but in the event that order is stayed or otherwise
14 rendered ineffective during the pendency of this proceeding, I provide a factual basis on
15 which the Commission should conclude that reciprocal compensation should be paid for
16 such traffic.

17 II. COLLOCATION

18 **Q. WHAT CONCERNS DOES XO HAVE WITH THE COLLOCATION RATE**
19 **PROPOSALS SPONSORED BY QWEST?**
20

21 **A.** XO has both general and specific concerns. In general, Qwest relies on inaccurate
22

1 assumptions and unsubstantiated information that serve only to inflate the costs Qwest
2 incurs to provide collocation. Qwest purports to base many of its cost estimates on the
3 results of 41 collocation jobs undertaken by Qwest throughout its region. None of those
4 jobs, however, were undertaken in Qwest's Arizona central offices, and Qwest has
5 provided no evidence to demonstrate that the costs Qwest incurred in the other states is
6 representative of its costs in Arizona. The 41 collocation jobs, moreover, were all
7 cageless collocation jobs and thus cannot be used to support Qwest's cost estimates for
8 entrance facilities or cage construction. Again, the sample of collocation jobs on which
9 Qwest relies for cage construction costs includes no Arizona central offices and Qwest
10 refused to provide more Arizona-specific information or any explanation of how Qwest's
11 cost estimates in other states accurately reflect its costs in Arizona.

12
13 Specifically, I address four elements in Qwest's collocation rate proposal, each of which
14 are substantially overstated: (1) entrance facilities; (2) space construction/dc power; (3)
15 DS-0, DS-1, and DS-3 terminations; and (4) CLEC-to-CLEC Connections.

16
17 Entrance Facilities

18 **Q. WHAT IS QWEST'S PROPOSAL WITH RESPECT TO ENTRANCE**
19 **FACILITIES?**

20
21 A. "Entrance facilities" is the element that enables a CLEC to connect its collocated
22 equipment with the rest of its network. Fiberoptic cable from the CLEC's network is

1 routed through the point of interconnection (“POI”) between the companies’ networks,
2 into the Qwest central office, and over cable racking to the CLEC’s collocation space.
3 Qwest offers CLECs the option of having Qwest provide the fiber from the POI to the
4 collocation space (Standard Shared or Cross-Connection Entrance Facilities) or having
5 Qwest pull CLEC-provided fiber from the POI to the collocation space (Express Fiber
6 Entrance Facilities). Qwest proposes the following charges for each type of entrance
7 facility:

| <u>Type</u> | <u>Non-recurring</u> | <u>Recurring</u> |
|-----------------------------|----------------------|------------------|
| Standard Shared (per fiber) | \$1,232.89 | \$ 15.17 |
| Cross Connect (per fiber) | \$1,658.09 | \$ 22.75 |
| Express (per cable) | \$8,783.09 | \$240.26 |

14
15 **Q. WHY IS XO OPPOSED TO QWEST’S PROPOSED RATES FOR ENTRANCE**
16 **FACILITIES?**

17
18 A. On their face, Qwest’s proposed prices are exorbitant. Qwest’s proposed charges for
19 Express Fiber Entrance Facilities of \$8,783.09 (nonrecurring) and \$240.26 (recurring) are
20 *seven and 32 times higher* than the \$1,201.16 (nonrecurring) and \$7.47 (recurring) rates
21 Qwest proposed for the same element in Washington. Using Qwest’s standard minimum
22 of 12 fibers, Qwest proposes prices for Standard Shared and Cross Connect Entrance
23 Facilities between \$19,897.08 and \$14,794.68 (nonrecurring) and between \$273.00 and
24 \$182.04 (recurring) – as much as *16 times higher* than the Express Fiber Entrance
25 Facilities charges Qwest proposed in Washington. In addition, Qwest’s proposed charges

1 for Entrance Facilities are several times higher than the comparable rates in Qwest's FCC
2 tariff.

3
4 Even Qwest's proposals in this proceeding are inconsistent. Qwest proposes
5 nonrecurring charges for interconnection Entrance Facilities – which provide the
6 functional equivalent of collocation Entrance Facilities when used for interconnection –
7 of \$92.18 (nonrecurring) and \$218.84 (recurring) for DS-1 facilities and \$486.15
8 (nonrecurring) and \$414.26 (recurring) for DS-3 facilities. Interconnection entrance
9 facilities have higher recurring charges but the nonrecurring charges for collocation
10 entrance facilities are up to *13 times higher* on a per fiber basis and do not include the
11 electronics associated with DS-1 or DS-3 facilities.

12
13 **Q. WHAT IS THE BASIS FOR THESE DISCREPANCIES?**

14 A. Unfortunately, Qwest does not provide sufficient information to explain why its proposed
15 rates are so much higher. At least some of the discrepancy, however, is attributable to the
16 assumptions on which Qwest relies to calculate its proposed rates. Qwest, for example,
17 assumes that entrance facility costs will be shared among only <PROP> collocating
18 CLECs. Information that Qwest provided in response to AT&T's data requests indicates
19 that an average of approximately <PROP> CLECs collocate in each Qwest central office
20 in which at least one CLEC is collocated in Arizona. Modifying just this assumption in
21 Qwest's cost study to reflect this Arizona-specific information would reduce Qwest's
22

1 proposed rates by over 50%.

2
3 Even more significantly, a substantial portion of Qwest's proposed charges for Entrance
4 Facilities are the costs associated with constructing a manhole outside the central office
5 that is dedicated to the use of CLECs (the "CLEC POI"), rather than assuming that the
6 CLECs will use the existing manhole used by all carriers, including Qwest, to route fiber
7 and copper cables through "manhole 0" into the Qwest central office. CLECs do not
8 need their own manhole, and Qwest's insistence on assuming a manhole dedicated to
9 CLECs serves only to inflate its collocation cost estimates. Even in those circumstances
10 in which space in Qwest's existing manholes is legitimately exhausted, Qwest will need
11 to construct an additional manhole for its own use, as well as the use of other carriers, the
12 cost of which should be shared among all carriers, including Qwest, not just among
13 CLECs. Accordingly, the Commission should refuse to permit Qwest to include the costs
14 for a dedicated manhole in its cost estimates for Entrance Facilities.

15
16 Finally, the cost of fiber does not justify the significantly higher rates Qwest proposes for
17 Standard Shared and Cross Connect Entrance Facilities. Qwest includes not only fiber
18 costs for these elements, but additional facilities, including fiber distribution panels and
19 cross connects dedicated to CLEC use. Qwest, however, fails to explain why such
20 additional facilities are necessary when Qwest provides the fiber but are not necessary

1 when the CLEC provides the fiber. The only difference between the rates for Express
2 Fiber and other types of Entrance Facilities, therefore, should be the cost of the fiber.

3
4 Space Construction/DC Power

5 **Q. WHAT DOES QWEST PROPOSE FOR SPACE CONSTRUCTION?**

6
7 A. Qwest has bundled together several collocation elements into a single element called
8 “Space Construction.” These elements include constructing the collocation cage or
9 equipment racks for cageless collocation and providing dc power, ac outlets, grounding,
10 lighting, and HVAC. Qwest has contended that this new mega-element was developed in
11 response to CLEC desires for more predictable and less confusing collocation pricing.
12 While I agree that CLECs, as well as the FCC, have raised concerns about pricing
13 collocation elements on an individual case basis (“ICB”) or a “per foot” or other
14 incremental basis, bundling several elements into one does not address those concerns.
15 To the contrary, bundling only frustrates CLECs’ attempts to determine exactly what they
16 are paying for. Qwest only heightens this concern by failing to provide any explanation
17 of how it calculates or otherwise supports its cost estimates for the activities in this
18 combined element.

19
20 **Q. HAVE YOU MADE AN EVALUATION BASED ON THE INFORMATION THAT**
21 **IS AVAILABLE?**

22
23 A. Yes, including information provided to the Washington Commission. Qwest’s proposes

1 rates of \$51,675.14 (nonrecurring) and \$94.30 (recurring) for a 100 square foot cage and
2 one 60 amp feed for dc power, while Verizon proposed nonrecurring charges of
3 \$8,423.58 and recurring charges of \$149.88 for approximately the same elements in
4 Washington.¹ Even though Verizon's recurring charges are higher than Qwest's proposed
5 recurring charges, Qwest's nonrecurring charges are several times higher than Verizon's
6 proposed rates and impose most of those costs up front, rather than over time.

7
8 **Q. WHAT ACCOUNTS FOR THESE DIFFERENCES?**

9
10 A. Currently available information suggests several contributing factors. Generally with
11 respect to both caged and cageless collocation, Qwest presumably constructed its
12 collocation cost study consistently, and accordingly would have developed its Space
13 Construction costs – particularly the grounding and ac and dc power costs – using the
14 same assumptions it used to estimate Entrance Facilities costs, *e.g.*, <PROP> collocators
15 per central office and approximately half of the cable racking dedicated to those <PROP>
16 collocators. These assumptions, rather than the reality of approximately <PROP>
17 collocators per central office, would improperly inflate Qwest's Space Construction cost
18 estimates just as they inflate the Entrance Facilities cost estimates. Qwest's cost

¹ The corresponding Verizon elements are Cage Enclosure (\$5,693.57 nonrecurring), DC Power (\$2,730.01 nonrecurring), and Environmental Conditioning (\$73.35 recurring). In addition, a portion of Verizon's recurring charge for DC Power would correspond to the costs included in Qwest's Space Construction element, which I have estimated by subtracting Qwest's proposed recurring charges for Power Plant and Power Usage from the Verizon rate (\$512.93 - \$436.40 = \$76.53).

1 estimates also inflate the following individual sub-components of its proposed space
2 preparation charge.

3
4 **Cage construction.** Cage construction, including dust protection for surrounding
5 equipment and installation of lighting and electrical outlets, costs less than \$5,000 based
6 on contractor invoices that Qwest provided during a costing proceeding in Utah. The cost
7 estimates Qwest used to develop the rate for the Space Construction for caged collocation
8 are more than double that amount.

9
10 **Power cabling.** Qwest uses a deficient method of determining costs for ac and dc power.
11 Qwest averages cost data from five central offices – none of which is in Arizona – to
12 develop a per foot price for power cables and installation. Qwest then multiplies this per
13 foot price by an assumed distance. In the case of dc power feeds, the assumed distance is
14 between the collocation space and the battery distribution fuse board (“BDFB”),
15 essentially an intermediate circuit breaker, (for runs of 60 amps or less) or the main
16 power distribution board (“PDB”) for the central office (for runs of 60 amps or more).

17
18 There are several problems with this methodology. First, Qwest provides no information
19 to demonstrate that the average of the cost estimates of the five central offices that Qwest

1 selected are representative of the costs Qwest incurs in Arizona. Qwest refused to
2 provide Arizona specific information that could be used to make such a determination in
3 response to AT&T requests, claiming that such an effort would be too burdensome.
4 Accordingly, XO can only assume that Qwest either cannot or will not provide the
5 information necessary to determine Arizona-specific costs. Qwest's power cable and
6 installation cost estimates, therefore, bear no demonstrable relationship to the costs Qwest
7 incurs in Arizona.

8
9 Qwest similarly has not provided any information about the lengths of power cables
10 installed between the BDFB or PDB and the collocation spaces in its Arizona central
11 offices to substantiate its distance assumptions. Again, Qwest refused to provide the
12 information on collocation in its Arizona central offices that could be used to make a
13 state-specific cost estimate. Data that Qwest provided in a previous cost proceeding in
14 Washington, however, indicated that the distance between the PDB and the collocation
15 space on which Qwest bases its cost estimate is approximately 48% longer than the actual
16 average distance between those points in Qwest's Washington central offices.

17 Correspondingly, Qwest's cost estimates based on an average price per foot multiplied by
18 the assumed distance were overstated by almost half in Washington and are likely
19 similarly overstated in Arizona.

1 **Miscellaneous.** In addition, Qwest identifies costs (apparently included in the rate for
2 cageless but not for caged collocation) for largely unidentified “Miscellaneous,” items,
3 and for “Cable Hole” – essentially costs incurred to open and close holes through which
4 cables pass between floors and walls when installing new cables. These costs, however,
5 should already be included in the costs to install dc power, Bay Construction, Aerial
6 Support, Cable Racking, or other facilities, resulting in double recovery of these costs.

7
8 **Engineering.** With respect to engineering costs Qwest proposes to recover costs in its
9 Space Construction elements for caged and cageless collocation, Qwest simply averages
10 costs identified as “Engineering” allegedly incurred in various unidentified jobs without
11 presenting any evidence of the nature of these costs or how they were incurred. The level
12 of these costs is several times higher than the engineering rate of \$1,129.00 that Verizon
13 charges in Washington. XO engineers also inform me that engineering costs should not
14 exceed \$2,000 per collocation job, which is also significantly less than Qwest proposes to
15 recover as part of its Space Construction element.

16
17 **Quote Preparation.** Similarly, Qwest proposes a Quote Preparation Fee for both caged
18 and cageless collocation, but states, “If contract has provisions to collect and retain a
19 Quote Preparation fee, that fee would be deducted from the space construction charge.”

20 The only support Qwest provides for the level of this proposed charge is a single cost

1 figure, without any explanation of how that figure was calculated, much less a
2 justification for the level of that figure. Verizon imposes no such fee, and neither should
3 Qwest. If the Commission permits Qwest to impose a Quote Preparation Fee, that fee
4 should not exceed the Engineering costs discussed above, and no Engineering fee should
5 be charged if the requesting CLEC accepts Qwest's quote or otherwise authorizes Qwest
6 to proceed with collocation construction and provisioning.

7
8 Terminations

9 **Q. WHAT HAS QWEST PROPOSED FOR TERMINATIONS?**

10
11 A. Terminations are the elements necessary to connect a CLEC's collocated equipment with
12 ILEC unbundled loops, including DS-1 and DS-3 loops. Qwest proposes to install cables
13 from the CLEC collocation space to blocks on an intermediate distribution frame
14 ("IDF"). Qwest will then run cross connects on the IDF to access DS-1 or DS-3 loops or
15 to the COSMIC frame to access DS-0 (voice grade) loops. In sharp contrast to its
16 proposal to combine multiple elements into Space Construction, Qwest proposes to
17 replace the element formerly called Expanded Interconnection Channel Termination
18 ("EICT") with four Termination subelements: (1) Cable; (2) Cable Placement; (3) Block
19 (DS-0), Panel (DS-1) or Connector (DS-3); and (4) Block, Panel or Connector Placement.
20 Each of these subelements, in turn, has two sets of nonrecurring and recurring charges,
21 one per block and one per termination. The total of the non recurring subelement prices

1 for DS-0 is \$1,345.58 per block and \$19.80 per termination. Nonrecurring rates for 28
2 DS-1 terminations would be \$1,265.35 (or \$141.45 per termination), while the rates for a
3 single DS-3 termination would total \$663.41.

4
5 **Q. HOW DO THESE RATES COMPARE TO VERIZON'S RATES IN**
6 **WASHINGTON?**

7
8 A. Consistent with other collocation elements, Qwest's proposed rates are significantly
9 higher than the Verizon rates in Washington. The nonrecurring charges for 100 DS-0
10 terminations for Verizon total \$622.24 – less than half the rates Qwest has proposed.
11 Qwest's proposed rates are also more than double Verizon's rates for 28 DS-1
12 terminations (\$595.32) and almost double a single DS-3 termination (\$370.39).

13
14 **Q. CAN XO ACCOUNT FOR THESE DISCREPANCIES?**

15
16 A. No, we cannot. The information that accompanies Qwest's proposals does nothing more
17 than give conclusory cost numbers without providing any data on how those numbers
18 were developed. Once again, I would expect Qwest's unrealistic assumptions of
19 <PROP> collocators per central office and exaggerated cable lengths to be contributing
20 factors. In its petition for reconsideration of the Washington Commission order requiring
21 Qwest to charge no more than Verizon for terminations, Qwest asserted that Qwest
22 believed, based on Verizon's cost estimates, that Verizon uses different (and less costly)
23 facilities. XO and AT&T engineers, however, have informed me that for the equipment

1 that Qwest uses in its central offices, these terminations should be no more than the rates
2 that Verizon charges and that the Washington Commission adopted as a ceiling on
3 Qwest's rates.

4
5 CLEC-to-CLEC Connections

6 **Q. WHAT CONCERNS DOES XO HAVE WITH QWEST'S PROPOSED RATES**
7 **FOR CLEC-TO-CLEC CONNECTIONS?**

8
9 A. XO has multiple concerns with Qwest's proposal. CLEC-to-CLEC Connections allows a
10 CLEC collocated in a Qwest wire center to connect collocated equipment either to its
11 own collocated equipment located elsewhere in the wire center or to another CLEC's
12 collocated equipment. Often, such equipment is located only a short distance away
13 because Qwest generally groups collocating CLECs together within the wire center.
14 Accordingly, connection of collocated equipment should be simple and inexpensive in
15 the majority of circumstances. Unfortunately, Qwest appears to assume otherwise.

16
17 XO's first concern is that we could not find any cost study or other support for the rates
18 Qwest proposed for the various elements associated with these connections in the
19 testimony and exhibits Qwest previously filed. Ms. Million addresses Qwest's
20 collocation cost study, but neither the original collocation cost study nor Ms. Million's
21 supplemental direct testimony includes any reference to the costs for CLEC-to-CLEC
22 Connections. Accordingly, Qwest has failed to provide a factual basis on which the

1 Commission could adopt Qwest's proposed rates.

2
3 XO's second concern is the charges Qwest has proposed are inconsistent with its
4 Statement of Generally Available Terms ("SGAT"). The SGAT distinguishes between
5 CLEC-to-CLEC Connections that require cable racking and those that can be provided
6 using existing cable racking. According to Mr. Kennedy, Qwest's proposed charge for
7 "Design Engineering & Installation" "covers order processing, development of the price
8 quote, and hours to engineer and install cable racking." A CLEC ordering CLEC-to-
9 CLEC Connections that can use existing cable racking thus apparently will be required to
10 pay not just a minimal order processing charge but a charge to recover the costs of
11 preparing a quote, engineering, and installing cable racking that Qwest will not
12 undertake.

13
14 Finally, the rates Qwest has proposed are unreasonable on their face. Without a more
15 complete explanation of the activities Qwest undertakes with respect to each CLEC-to-
16 CLEC Connection element, Qwest's proposed charges of \$1,353.22 to engineer central
17 office cross-connections and \$425.99 to open and close an existing cable hole are
18 excessive. Charging a higher recurring rate for cable racking for a DS-1 connection than
19 a DS-3 connection also is inherently illogical because the fiber used for both types of
20 connections should be the same.

1 outside plant to rely solely on a review of those records, CLECs should not be required to
2 pay Qwest's record keeping costs. Most of the time that Qwest estimates to be necessary
3 for a field verification is devoted to Qwest's own inspection, including making technical
4 drawings of its conduits and revising its records accordingly. Undertaking such efforts in
5 conjunction with activities required by the CLEC may be more efficient for Qwest, but
6 the CLEC does not cause Qwest to incur the costs of inspecting and mapping its own
7 network and thus is not responsible for Qwest's recovery of those costs. Inspection of a
8 manhole to verify that sufficient space exists for the CLEC to occupy Qwest conduit in
9 that manhole should take no more than two hours, which is far less time than Qwest
10 estimates.

11
12 Finally, Qwest does not actually inspect every manhole along the route the CLEC has
13 requested. Rather, XO's experience has been that Qwest inspects the manhole on either
14 end of the route, but not the manholes in between. Even if this experience does not
15 reflect Qwest's standard practice, inspection of every manhole should not be necessary.
16 At a minimum, Qwest should not need to verify conduit space in more than every other
17 manhole along the route the CLEC has requested.

18
19 Accordingly, XO recommends that the Commission reject Qwest's proposal to impose a
20 field verification charge for conduit occupancy. If the Commission permits Qwest to

1 impose such a charge, however, XO recommends that the charge be no higher than the
2 cost of two hours of engineer time and that the charge apply to no more than half of the
3 manholes on the conduit route requested by the CLEC.
4

5 **IV. RECIPROCAL COMPENSATION**

6
7 **Q. WHAT ISSUES DOES XO HAVE WITH RESPECT TO QWEST'S PROPOSALS**
8 **ON RECIPROCAL COMPENSATION?**

9
10 A. XO has two issues: (1) the applicable rate when the CLEC switch is determined to be a
11 tandem for reciprocal compensation purposes; and (2) reciprocal compensation for ISP-
12 bound traffic.

13
14 **Q. WHAT RATE SHOULD APPLY WHEN THE CLEC SWITCH IS CONSIDERED**
15 **TO BE A TANDEM FOR RECIPROCAL COMPENSATION PURPOSES?**

16
17 A. The tandem rate should apply in all circumstances. Qwest witness Larry Brotherson
18 proposes that the tandem rate should apply only when the parties are exchanging traffic at
19 the Qwest tandem, and that the end office rate should apply when the traffic is exchanged
20 via direct trunking to a Qwest end office. Such a proposal is self-serving and inconsistent
21 with FCC requirements.
22

23 FCC Rule 51.711(a)(3) requires the ILEC to compensate the CLEC at the tandem rate if
24 the CLEC's switch "serves a geographic area comparable to the area served by the

1 incumbent LEC's tandem switch," without any limitation on whether direct trunking
2 exists between the CLEC switch and the ILEC end office. If the CLEC switch serves a
3 geographic area comparable to the area served by the ILEC tandem, the CLEC is
4 terminating traffic within that area regardless of whether the ILEC delivers the traffic
5 through its tandem or directly from the end office. Stated differently, it is irrelevant
6 whether the traffic *originates* from a Qwest end office or a Qwest tandem – the CLEC
7 *terminates* that traffic to its customers located anywhere within the local calling area, *i.e.*,
8 the area comparable to the geographic area served by the Qwest tandem.

9
10 Mr. Brotherson ignores this reality, as typified by the lack of any willingness to apply his
11 proposed "symmetry" in reciprocal compensation to Qwest. Qwest generally considers
12 CLEC switches to be the equivalent of a Qwest end office switch, but Mr. Brotherson
13 does not suggest symmetrical reciprocal compensation at the end office rate when the
14 CLEC delivers traffic to a Qwest tandem. Undoubtedly, Mr. Brotherson would contend
15 that Qwest is obligated to terminate traffic delivered to its tandem anywhere within the
16 tandem serving area and thus should be compensated accordingly. That same argument
17 applies to traffic delivered to a CLEC switch for termination within a comparable serving
18 area, whether Qwest delivers that traffic at its tandem or via direct trunks from its end
19 office. A CLEC entitled to receive the tandem interconnection rate thus is entitled to
20 receive that rate for *all* traffic it terminates.

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Q. WHAT RATE SHOULD APPLY TO ISP-BOUND TRAFFIC?

A. The FCC recently issued an order in which it concluded that ISP-bound traffic is jurisdictionally interstate, established a compensation mechanism, and preempted state commission consideration of this issue. As long as this order remains valid and effective, the Commission should not act inconsistently with this order. The Commission thus must reject Qwest's proposal that such traffic be subject to bill and keep.

Q. WHAT IS THE STATUS OF THE FCC ORDER?

A. The release date is April 27, 2001. I am not aware that any party has appealed the order, but an appeal is likely. XO generally would not recommend that the Commission take any further action on this issue in this proceeding even if the order is appealed, but if the Commission decides otherwise, it should still reject Qwest's bill and keep proposal.

Q. WHY?

A. XO interconnects and exchanges telecommunications traffic with Qwest under the terms and conditions of a Commission-approved interconnection agreement. Those terms and conditions include reciprocal compensation for the exchange of local traffic, including traffic delivered to ISPs. XO provides local telecommunications service to ISPs and other business customers, and XO delivers calls made by Qwest's end users to XO's customers. XO, therefore, is entitled to reciprocal compensation for delivering these calls within a local calling area, regardless of whether XO's customer is an ISP or any other

1 purchaser of XO local telecommunications service.

2
3
4 **Q. HOW DO XO AND QWEST EXCHANGE TELECOMMUNICATIONS**
5 **TRAFFIC?**

6
7 A. XO and Qwest exchange traffic over interconnection trunk groups. Each type of traffic –
8 local, toll, transit, and ancillary (directory assistance, operator services, 911/E-911, etc.) –
9 is segregated onto its own trunk group. A trunk group is one or more connections or
10 "trunks" between Qwest's tandem or end office switch and XO's switch, most often via
11 equipment that XO has collocated in the Qwest central office.

12
13 Qwest and XO use local interconnection trunks to exchange local traffic. Local traffic
14 generally includes calls between customers with seven digit telephone numbers that are
15 rated within the same local calling area, including any extended area service ("EAS")
16 area. Qwest does not order any trunks from XO and requires that XO order from Qwest
17 all local interconnection trunks for the traffic exchanged between the companies to the
18 extent Qwest facilities are needed. Qwest refers to the exchange of local traffic as Local
19 Interconnection Service ("LIS") and trunks used to exchange such traffic as LIS trunks.

20
21 **Q. HOW DOES XO ROUTE TRAFFIC ORIGINATED BY QWEST CUSTOMERS**
22 **THAT IS BOUND TO ISPs SERVED BY XO?**

23
24 A. ISPs are among the customers to whom XO provides local exchange service and XO
25 routes traffic to them as it does to other local exchange customers. XO assigns seven

1 digit telephone numbers to these customers as part of their local service, just as other
2 customers are assigned seven digit telephone numbers. XO, however, assigns telephone
3 numbers to ISPs from a block of numbers it reserves specifically for customers with
4 critical telecommunications needs (referred to as an NXX code, the "NXX" referring to
5 the first three digits of the telephone number). XO makes such numbering assignments to
6 enable it more easily to identify and monitor the flow of traffic to these customers.

7
8 XO has requested that Qwest route calls from its customers to be transported and
9 terminated to these NXX codes via specific trunks within the local interconnection trunk
10 groups. These specific trunks are LIS trunks and are part of the local interconnection
11 trunk groups over which XO and Qwest exchange local traffic. ISP customers have
12 critical telecommunications needs, and XO has requested dedicated trunks within the
13 local interconnection trunk group to minimize any potential for call blocking. The traffic
14 routed over these trunks is delivered to XO's customers the same as the other local traffic
15 carried on the local interconnection trunk group, *i.e.*, via XO's switch to the customer
16 premises.

17
18 XO routes calls from its customers to the seven digit numbers Qwest has assigned to its
19 customers – including any ISPs – over the local interconnection trunk groups if the
20 telephone numbers of the XO and Qwest customers are rated within the same local

1 calling area. Qwest, however, has not requested that XO dedicate any of these trunks to
2 traffic routed to a specific NXX code or telephone numbers. I therefore am not aware
3 that Qwest routes and delivers calls from XO customers to Qwest's ISP customers in the
4 same local calling area any differently than Qwest routes and delivers calls to any other
5 Qwest customers.

6
7 **Q. DO XO AND QWEST CURRENTLY PAY RECIPROCAL COMPENSATION TO**
8 **EACH OTHER FOR DELIVERING ISP-BOUND TRAFFIC?**

9
10 A. Yes, at least with respect to minute of use charges (the parties have yet to resolve their
11 differences over proper apportioning of the costs of interconnection facilities).

12
13 **Q. WHY DOES XO BELIEVE THAT THE COMMISSION SHOULD CONTINUE**
14 **TO REQUIRE PAYMENT OF RECIPROCAL COMPENSATION FOR ISP-**
15 **BOUND TRAFFIC?**

16
17 A. Reciprocal compensation, as the term implies, compensates each interconnecting carrier
18 for its costs to transport and terminate calls originated by the other carrier's customers
19 within the same local calling area. Even Qwest concedes that interconnecting carriers
20 incur costs to deliver calls bound for their ISP customers. When XO delivers calls from
21 Qwest's customers to XO's ISP customers, XO is entitled to compensation from Qwest
22 for the costs of providing this service to Qwest, just as Qwest is entitled to compensation
23 for its costs of delivering traffic originated by XO's customers within the same local
24 calling area. If the FCC's April 27 order for some reason is not binding on the
25 Commission, therefore, the Commission should require the payment of reciprocal

1 compensation for ISP-bound traffic.

2

3 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

4 **A.** Yes, it does.