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BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION
COMMISSION

Complainant.

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v.

DOCKET NO. T-01051B-02-0871

QWEST CORPORATION

Respondent.

DIRECT TESTIMONY

OF

JOHN F. FINNEGAN

ON BEHALF OF

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

April 28, 2003

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
3 OCCUPATION.

4 A. My name is John F. Finnegan. My business address is 1875 Lawrence St.,
5 Denver CO, 80202. I am a Senior Policy Witness in AT&T's Law and
6 Government Affairs organization.

7 Q. PLEASE PROVIDE YOUR BACKGROUND AND PROFESSIONAL
8 EXPERIENCE AS THEY RELATE TO THE ISSUES IN THIS
9 PROCEEDING.

10 A. My education and relevant work experience are as follows. I have a B.S. in
11 Engineering from the Rutgers College of Engineering and an M.B.A. from the
12 University of Denver. I have worked for AT&T for almost 20 years. After
13 graduating from Rutgers, I spent the next two years with Combustion Engineering
14 in Valley Forge, PA as a Project Engineer. In 1983, I joined AT&T as a
15 purchased product engineer. Over the next 12 years, I spent time with AT&T in a
16 variety of engineering, quality management, sales and marketing positions.
17 Almost half of that time was spent leading a supplier quality management
18 organization.

19
20 In 1995, I joined AT&T's New Markets Development Organization and was one
21 of the first employees in AT&T's Western Region to explore the opportunities
22 associated with providing local exchange services. In 1996, I began in my current
23 position. Recently, I have concentrated my work efforts on collaborating with
24 Qwest, competitive local exchange carriers ("CLECs") and state regulators on

1 understanding and evaluating Qwest's operational support system ("OSS"). I
2 have been AT&T's representative in the Arizona and the Regional Oversight
3 Committee's ("ROC") OSS tests since their inception. I am a frequent panelist on
4 ROC OSS discussions, and I have testified in proceedings in Kansas, Iowa,
5 Minnesota, Arizona, Montana, Wyoming, Utah, Idaho, Colorado, Washington,
6 North Dakota, South Dakota, Nebraska, Oregon, and New Mexico.

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

8 A. The purpose of my testimony is to respond to the Direct Testimony of Matthew
9 Rowell. I will also provide AT&T's perspective on the Arizona Corporation
10 Commission's ("Commission") Complaint and Order to Show Cause ("OSC")
11 against Qwest Corporation ("Qwest") regarding its failure to implement
12 wholesale rates ordered in Decision No. 64922 in a timely fashion.

13 **II. COUNT III – UNREASONABLE WHOLESALE RATE**
14 **CHANGE SYSTEMS DESIGN AND PROCESS**

15 **Q. DOES AT&T SUPPORT STAFF WITNESS MATTHEW ROWELL'S**
16 **RECOMMENDATION THAT QWEST BE ORDERED TO IMPLEMENT**
17 **BILLING AND SYSTEMS PROCESS CHANGES THAT WILL ALLOW**
18 **IT TO IMPLEMENT WHOLESALE RATES WITHIN 30 DAYS AND**
19 **THAT SUCH CHANGES BE IMPLEMENTED WITHIN FOUR MONTHS**
20 **OF A DECISION IN THIS DOCKET?¹**

21 A. Yes, AT&T does support that recommendation.

22 **Q. WHY?**

23 A. AT&T believes that Qwest has designed its wholesale billing systems in a manner
24 that makes wholesale rate changes unnecessarily complex, cumbersome and slow
25 to implement. In contrast, Qwest has designed its retail billing systems in a

¹ Direct Testimony of Matthew Rowell, p. 20.

1 manner that permits it to implement retail rate changes much faster and more
2 efficiently for retail customers than for CLECs. AT&T and the Staff view the
3 differences between the CLEC and retail rate change processes as discriminatory.

4 Specifically, the Staff concluded:

5 The inability of Qwest to make wholesale rate changes in a
6 reasonable amount [of] time and to charge accurate rates to
7 CLECs creates an unlevel playing field and results in
8 discriminatory treatment by Qwest relative to how it treats
9 its retail customers. In addition it results in discrimination
10 between CLECs by giving new CLECs the rates
11 immediately, but requiring existing CLECs to wait 6
12 months (or longer) to be charged the new lower wholesale
13 rates. The preceding issues have implications for
14 application for 271 relief as well.”²

15 AT&T agrees with Staff’s conclusion that its findings demonstrate discrimination
16 in the access to billing functions that Qwest provides to CLECs.

17 **Q. HOW DO UNREASONABLY LONG INTERVALS BETWEEN A**
18 **COMMISSION ORDER FOR NEW RATES AND IMPLEMENTATION**
19 **OF NEW RATES AFFECT A CLEC?**

20 A. One example is that unreasonably long intervals between a Commission order for
21 new rates and implementation of new rates can result in an increase in a CLEC’s
22 costs of reviewing and auditing Qwest’s wholesale bills.

23 **Q. HOW?**

24 A. CLECs will generally review and audit the wholesale bills that Qwest sends to
25 ensure that there are no unwarranted charges on the bill and that legitimately
26 billed items are billed at the right rate. A Commission order that states that new
27 rates are effective immediately creates an expectation in the CLECs that the
28 correct rate should soon appear on the bills that Qwest sends. When the Qwest

² Complaint and Order to Show Cause, T-01051B-02-0871 Decision No. 65450, docketed December 12, 2002, ¶ 35.

1 wholesale bills are received by the CLEC, if the charges do not reflect the correct
2 rates, the CLEC will initiate a billing claim with Qwest. When the CLEC reviews
3 and audits the wholesale bill, all the CLEC can determine is whether the rates are
4 correct or incorrect. If the CLEC identifies rates that are incorrect, the CLEC is
5 unaware if the rates are incorrect because; 1) Qwest has not yet implemented the
6 rate changes, 2) the rate changes have been implemented but Qwest has
7 implemented the wrong rates or 3) for some other reason.

8
9 In Arizona, the likely result of Qwest taking six months to implement rate
10 changes that should have been effective immediately is that many CLECs bore the
11 expense of initiating billing claims in all six months for a large majority of the
12 items on their bill. The CLEC's expense to identify billing errors and to initiate
13 and pursue billing claims would have been unnecessary if Qwest had
14 implemented the rate changes in a more reasonable period of time.

15
16 Reviewing Qwest bills is no easy matter. Bills are lengthy and complex. Getting
17 multiple bills or credits – once when normal billing comes out and once when the
18 credits or adjustments are made – places a tremendous burden on the CLEC to
19 verify it has been properly billed for services. Making the job of bill review even
20 harder is that Qwest will only stand behind a paper bill as the bill of record.

21 CLECs can choose to receive a bill from Qwest in electronic and/or paper form.
22 Electronic bills would be AT&T's (and most other large CLECs) preferred media
23 for receiving bills. Receipt of electronic bills makes manipulation and auditing of

1 the bill a much easier matter. However, electronic bills are often not as accurate
2 as paper bills. While Qwest will send both electronic and paper bills to CLECs,
3 Qwest uses the paper bill as the bill of record. Paper bills can be thousands of
4 pages long and several feet thick. It is no easy task to have personnel reviewing
5 these enormous bills in an attempt to identify billing inaccuracies.

6 **Q. WHAT IS YOUR UNDERSTANDING OF HOW QWEST IMPLEMENTS**
7 **RATE CHANGES FOR RETAIL CUSTOMERS?**

8 A. My understanding is that Qwest's retail billing systems contain state-specific
9 tables that identify all of the items that a retail customer can obtain from Qwest,
10 along with the recurring rates and any non-recurring rates. Since there is
11 essentially only one state-specific rate table,³ each customer in a state that obtains
12 a specific item from Qwest will pay the same rates as every other customer. For
13 example, residential customers that want a flat-rated residential line will pay the
14 same rate as every other Qwest residential customer in the state.

15
16 Having essentially one rate table makes changes in rates a relatively simple
17 matter. When Qwest needs to change a rate for a service, it changes the rate once
18 in the rate table and at that point, every customer that obtains that service will pay
19 the new rate. Continuing with the above example, if Qwest reduces the rate for a
20 flat-rated residential line, it only has to change the rate once in the retail rate table.

21

22 **Q. WHAT IS YOUR UNDERSTANDING OF HOW QWEST IMPLEMENTS**
23 **RATE CHANGES FOR WHOLESALE CUSTOMERS?**

³ Qwest may have multiple rate tables in a state but those rate tables will not have a service that is found in two different rate tables.

1 A. My understanding is that Qwest chose to forego the “single rate table for all
2 customers” approach that it uses for its retail customers and adopted a much more
3 cumbersome “every CLEC gets its own rate table” approach for CLECs. With
4 Qwest’s chosen approach, every CLEC has its own unique rate table.⁴ Therefore,
5 when Qwest wants to change a rate for a wholesale service, it must change the
6 rate for every CLEC in each of the multiple CLEC tables. Unlike with the retail
7 rate changes, to change the rate for one item requires potentially dozens of
8 changes to CLEC-specific rates. Qwest’s chosen approach is cumbersome and
9 adds unnecessary administrative burdens on Qwest.

10 **Q. IS THERE ANY APPARENT REASON WHY QWEST CHOSE A MUCH**
11 **MORE CUMBERSOME APPROACH FOR BILLING CLECS THAN IT**
12 **DOES FOR BILLING ITS RETAIL CUSTOMERS?**

13 A. The only apparent benefit that I can envision is that CLEC-specific rate tables
14 permit Qwest to charge different rates to different CLECs for the exact same item.
15 Building into its CLEC billing systems the ability to charge different CLECs
16 different rates for the exact same items permits Qwest to offer discriminatory
17 prices between CLECs.

18 **Q. DO YOU HAVE ANY SUGGESTIONS ON HOW THE EFFECTIVENESS**
19 **OF ANY CHANGES TO QWEST’S BILLING PROCESS COULD BE**
20 **DETERMINED?**

21 A. A performance measurement that tracks the percentage of rate elements
22 implemented within thirty days would be a method of gauging the speed in which
23 Qwest implements rate changes. Process management techniques suggest the best
24 way to gauge the effectiveness of a process is to measure the results of the

⁴ It may also be possible that Qwest has a single CLEC rate table with the rows identifying the items and separate columns with rates for each CLEC.

1 process. A specific performance measurement with associated benchmarks can
2 help Qwest to focus on the steps needed to enable it to make rate changes within
3 thirty days.

4 **Q. DOES AT&T AGREE WITH STAFF'S DECISION NOT TO**
5 **RECOMMEND SPECIFIC BILLING OR PROCESS CHANGES?⁵**

6 A. Yes. Recommending the outcome (the ability to implement billing and systems
7 changes within 30 days) rather than the method to achieve the outcome is
8 reasonable and appropriate.

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

10 A. Yes.

⁵ Direct Testimony of Matthew Rowell, p. 20.

CERTIFICATE OF SERVICE
(T-01051B-02-0871)

I certify that the original and 13 copies of the Testimony of John F. Finnegan on behalf of AT&T Communications of the Mountain States, Inc.'s were sent by overnight delivery on April 25, 2003 to:

Arizona Corporation Commission
Docket Control - Utilities Division
1200 West Washington Street
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