BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER

IN THE MATTER OF INVESTIGATION OF
THE COST OF TELECOMMUNICATIONS
ACCESS

Notice is hereby given that WorldCom, Inc. ("WCOM") is filing herewith the testimony of
Don Price, Senior Manager – Competition Policy for WCOM.

Respectfully submitted this 28th day of June, 2002.

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BEFORE THE ARIZONA CORPORATION COMMISSION
Docket No. T-00000D-00-0672

DIRECT TESTIMONY OF
DON PRICE
WORLDCOM, INC.

JUNE 28, 2002
DIRECT TESTIMONY OF DON PRICE
ON BEHALF OF
WORLDCOM, INC.

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, TITLE AND QUALIFICATIONS.

A. My name is Don Price. My business address is 701 Brazos, Suite 600, Austin, Texas 78701. I am employed by WorldCom, Inc., in the Western Region Public Policy Group as Senior Manager -- Competition Policy. I have more than 20 years experience in telecommunications, most of which is in the area of public policy. I have been in various public policy positions with WorldCom, through the merger with MCI, for nearly 16 years. Prior to that, I was on the Staff of the Public Utility Commission of Texas for three years during the period immediately following divestiture. I began my career in telephony in 1979 with the GTE operating company in Texas (General Telephone Company of the Southwest) after receiving my Master of Arts degree from the University of Texas - Arlington. During my five years with GTE, I worked in various positions of increasing responsibility in the group whose function was the planning of central office and outside plant facilities. In my present position, I have broad responsibilities in developing and coordinating WorldCom’s regulatory and public policy initiatives, requiring that I work closely with many different organizations in the company, including regulatory organizations, organizations responsible for the company’s network, and those who sell services to customers across all market segments.
Over the past several years, my job responsibilities have brought me into day-to-day contact with the business and policy issues arising out of the market-opening provisions of the 1996 Telecommunications Act. As examples, I was closely involved in negotiations of the first-generation interconnection agreement between MCImetro and Southwestern Bell Telephone Company, and have testified before various state commissions regarding various policy-related aspects of interconnection, access to unbundled network elements, and the requirements of §271 of the Act. My detailed qualifications, including all of the proceedings in which I have filed testimony, are included in Attachment 1 to my testimony.

Q. HAVE YOU PREVIOUSLY TESTIFIED?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address the issues set out in the May 21, 2002 Procedural Order in this proceeding. In particular, I will address the public policy implications of allowing Qwest to charge above-cost switched access rates for interexchange traffic originating and terminating within the State of Arizona, when that traffic is carried by traditional interexchange carriers.¹ My testimony is organized into

¹ The focus of my testimony is on issues pertaining to the need to lower Qwest's intrastate access rates prior to Qwest obtaining the right to provide retail long distance services in Arizona, and I address the other ILECs only in Section VI of my testimony.
five sections. The first section presents a background discussion providing a baseline for the recommendations I am making. Each of the subsequent sections focuses on the specific issues to be addressed in this proceeding as set forth in the above-referenced Procedural Order. For ease of reference, the electronic version of my testimony includes each of these sections as major headings, such that, by simply “clicking” on the section heading in the “Document Map” view the reader can go directly to that portion of my testimony.

I. BACKGROUND FOR WORLDCOM’S POSITIONS

Q. WHAT IS THE CONTEXT WITHIN WHICH THIS PROCEEDING SHOULD BE HANDLED BY THE COMMISSION?

A. To establish the appropriate context for this proceeding, it would be helpful to recall the famous line from the British television comedy show, *Monty Python’s Flying Circus*: “and now, for something completely different.” Although the issues in this proceeding are quite serious, the Commission should recognize that the environment in which the telecommunications industry is operating in the 21st Century is radically “different” from the general trends of the past century. This is the case for at least three reasons. First, the policy objective established by Congress in passing the Telecommunications Act of 1996 expressly provided that the means of accomplishing those objectives was “by opening all
telecommunications markets to competition. Second, traditional regulatory tools were not designed to further pro-competitive goals. Third, and this is where the "completely different" notion comes into play, to accomplish the benefits of opening all telecommunications markets to competition, new tools must be utilized by regulators in place of the traditional tools used in the past. To achieve their intended purpose, these new tools must seek to eliminate the competitive distortions resulting from ILEC rates that exceed the associated "economic cost."

Q. PLEASE EXPLAIN TO THE COMMISSION WHAT YOU MEAN WHEN YOU USE THE TERM "ACCESS SERVICES."

A. Access services are those services provided by a local exchange carrier ("LEC") for other carriers' use in providing telecommunications that extend beyond the local calling area. Said differently, access services are LEC-provided services used by an interexchange carrier ("IXC") in providing long distance services either originating from or terminating to the IXC's end user customer. There are generally two classes of access services: switched access and special access. Switched access services involve the use of the LEC's switch in originating or terminating a call to/from the IXC's network. For example, when an end user customer places a typical long distance call, the LEC's switch at the originating end of the call must switch that call to a trunk connecting to the network of the

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3 Special access is sometimes referred to as "dedicated access," and is functionally the same as "private line" service.
Incumbent LECs maintain tariffs for their access services at both the federal and state levels. Although the same equipment is utilized and the same functionality is provided by the LEC without regard to the “jurisdiction” of the call, the switched access rates are typically much higher for in-state calls than interstate calls.

**Q.** YOU EARLIER REFERRED TO HOW THE OBJECTIVES OF THE 1996 TELECOMMUNICATIONS ACT REQUIRED THE “OPENING ALL TELECOMMUNICATIONS MARKETS TO COMPETITION.” WHAT IS THE SIGNIFICANCE OF OPEN MARKETS TO THE ISSUES IN THIS PROCEEDING?

**A.** By that reference, I intended to highlight the dramatic policy shift away from the historic regulation of monopoly providers to a pro-competitive emphasis. The history of telecommunications in the U.S. was throughout most of the 20th century a history of legal monopoly, where there was no competition whatsoever for telecommunications services or equipment. The beginnings of change in this monopoly-based system occurred over several decades beginning with competitive inroads into what we now know as the market for customer premises equipment (CPE) and later, thanks to the U.S. government’s massive anti-trust action against the Bell System, in the long distance market.

4 Conversely, at the terminating end of the call, the call is switched by the LEC from the incoming trunk from the IXC to the line connecting the end user’s premises.

5 The U.S. history is somewhat unique, because the vast legal monopoly held by the Bell System (and other relatively miniscule companies) was operated by a private corporation. This is in contrast with most other countries where telecommunications services were provided by an arm of the government.

6 By this cursory statement, I do a terrible injustice to the lengthy struggles that characterized the efforts by competitors to pry open these markets. In both the CPE and long distance markets, competitors faced
Eventually, the markets both for CPE and long distance services demonstrated the effects of competition. That is, consumers faced a sometimes dizzying array of potential choices, and prices fell dramatically. The experience of the U.S. became the envy of policymakers world-wide, who sought to introduce market-opening moves in their own countries in hopes of mimicking the U.S. experience. Likewise, the passage of the 1996 Telecommunications Act signals an attempt by U.S. policymakers to inject competition into the last bastion of monopoly -- the local exchange market.

Q. YOU STATED ABOVE THAT TRADITIONAL REGULATORY TOOLS WERE NOT DESIGNED TO FURTHER "PRO-COMPETITIVE GOALS." PLEASE EXPLAIN.

A. In the historic model of regulation, the monopoly's prices were deemed reasonable so long as they were "just and reasonable." Importantly, however, the "reasonableness" of rates did not include consideration of the competitive implications. The historical model was succinctly described by the Supreme Court in a recent Opinion, as follows:

"The traditional regulatory notion of the "just and reasonable" rate was aimed at navigating the straits between gouging utility customers and confiscating utility property."

lengthy legal battles simply to establish the principle that they had the right to compete with the Bell System. See, for example, Judge Harold Greene's ruling in the antitrust case, where he stated that "The efforts of various arms of government to introduce true competition into the telecommunications industry have been ... feeble. The anti-trust suit brought by the Department of Justice in 1949 ended in 1956 with a consent decree which imposed injunctive relief that was patently inadequate. It took from 1968 when the Carterfone decision was handed down by the FCC to 1978 when the United States Court of Appeals decided Execunet II to establish even the very principle of competition so that it was beyond dispute by [the Bell System]." US v. American Tel. and Tel., 552 F. Supp. 131 (1982) (hereinafter referenced as "AT&T"), at 170.

7 Verizon v. FCC et al, slip opinion at 8.
A key question in the states' considerations of rate setting issues was whether the utility's retail rates furthered the objective of promoting universal service. Again citing the Supreme Court:

Indeed, regulated local telephone markets evolved into arenas of state-sanctioned discrimination engineered by the public utility commissions themselves in the cause of "universal service."8

There are numerous examples of the sort of "state-sanctioned discrimination" referenced by the Court. For example, state commissions have traditionally set business local rates higher than residential rates even though the services are virtually indistinguishable, using the rationale that the "value of service" was greater to the business than to the residential user. Also, rates in smaller communities were typically set lower than the rates in urban areas -- again, on a "value of service" concept -- even though the cost of providing such service in smaller communities could be higher because of lower density of customers served. Further, regulators have traditionally allowed the regulated monopolies to charge higher rates to users of optional features (typically referred to as "custom calling features"), rates that are many times over the monopoly's "cost" of providing those features. And when access charges were established in the mid-1980s, those rates were set above cost, as discussed in more detail in section V of my testimony below. All of these pricing arrangements evolved over the years in the context of traditional rate-setting proceedings where the commissions' focus was on limiting price increases to residential customers in pursuit of universal service objectives.

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8 Id., at 7.
implications of these pricing decisions on competitive entry were rarely, if ever, taken into account.

Q. **YOU USED THE PHRASE “SOMETHING COMPLETELY DIFFERENT” ABOVE. WHAT IS IT ABOUT THE INJECTION OF COMPETITION INTO THE EQUATION THAT WOULD THROW THESE TRIED AND TRUE PRINCIPLES OF REGULATORY PRICING OUT THE PROVERBIAL WINDOW?**

A. To answer this requires a brief introduction to the characteristics of markets. In competitive markets, firms try to gain market share either by reducing the costs of production so as to charge lower prices to consumers for the products or services, or by providing some added value to distinguish their products or services from those of their competitors. But this process cannot function when one of the firms controls a significant element of production for the other firms competing in the same market. A case in point is telecommunications, where the incumbent continues to control virtually all the lines connecting end users to the public switched telecommunications network. In that instance, the incumbent possesses what is sometimes referred to as “bottleneck” control over an element of production, to which access is needed by all other service providers.⁹ In the words of the Supreme Court:

> It is easy to see why a company that owns a local exchange (what the Act calls an “incumbent local exchange carrier,” 47 U.S.C. §251(h)), would have an almost insurmountable competitive advantage not only in routing calls within the exchange, but, through its control of this local market, in the markets for terminal equipment and long-distance calling as well. A newcomer could not

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⁹ In its Opinion, the Supreme Court noted that “some facilities … are very expensive to duplicate.” *Verizon* at 38, fn 7.
compete with the incumbent carrier to provide local service without coming close to replicating the incumbent’s entire existing network, the most costly and difficult part of which would be laying down the “last mile” of feeder wire, the local loop, to the thousands (or millions) of terminal points in individual houses and businesses.¹⁰

In other words, the control of the bottleneck facility provides “an almost insurmountable competitive advantage” to incumbent providers such as Qwest.¹¹ Recalling that protecting consumers from gouging by the monopoly is no longer the paramount regulatory objective, the challenge to the Commission is how to neutralize this “almost insurmountable competitive advantage” that Qwest possesses as other carriers seek to compete in the areas where it has enjoyed a historic monopoly. In other words, the regulatory focus must shift from consumer protection via monopoly price regulation to consumer protection through promoting competition in previously monopolized markets.

Q. HOW DOES THIS RELATE TO YOUR STATEMENT ABOVE, THAT PRICING PRACTICES ALLOWING THE ILEC TO CHARGE RATES ABOVE ECONOMIC COST CREATE COMPETITIVE DISTORTIONS?

A. This is the heart of the issue before the Commission in this proceeding. As I will show in the following section, permitting Qwest to charge switched access rates that exceed Qwest’s economic cost of providing the functionality of switched access provides to

¹⁰ Id., at 18.

¹¹ The Supreme Court’s conclusion that ILECs possess an “almost insurmountable advantage” is sufficient reason to disregard Qwest’s gratuitous statement at page 11 of its “Response to Staff’s Information Request” filed March 11, 2002, disagreeing with the premise that an ILEC “could exert monopoly power in the access service market.”
Qwest an artificial advantage in competing against traditional IXCs in the retail long
distance market. It is to that discussion that I now turn.

II. WHETHER IXCS MAY BE AT A COMPETITIVE DISADVANTAGE IF ACCESS
CHARGES ARE NOT REFORMED

Q. IS IT WORLDCOM'S POSITION THAT TRADITIONAL INTER-EXCHANGE
CARRIERS ARE DISADVANTAGED ABSENT PROMPT MOVEMENT BY THE
COMMISSION TO MODIFY EXISTING SWITCHED ACCESS CHARGES?

A. Yes, for the simple reason that existing switched access rates are above the relevant cost of
providing the service, and continuation of such above-cost rates threatens the
Commission’s policy objective of furthering the rise of competition in telecommunications
markets. That objective cannot be achieved so long as Qwest is able to charge wholesale
rates that exceed the economic cost it incurs in providing the facilities and network
functions on which other carriers rely.

Q. PLEASE EXPLAIN WHY ABOVE-COST SWITCHED ACCESS RATES
THREATEN THE COMMISSION'S POLICY OBJECTIVE OF FURTHERING
COMPETITION IN TELECOMMUNICATIONS MARKETS.

A. There are at least four reasons why this is true. First, the public policy rationale
underlying use of above-cost pricing to interexchange carriers has been rejected in the
federal statutes as a means of providing whatever subsidies are required for purposes of
universal service.\textsuperscript{12} Second, there are severe competitive implications associated with such a funding mechanism when Qwest is permitted to compete for customers’ retail long distance services. Third, the effects of those competitive implications is contrary to the pro-competitive thrust of recent decisions by the Commission. Fourth, technological and competitive developments are providing substitutes for traditional IXC-provided long distance services and will enjoy an artificial advantage over traditional IXC-provided long distance services unless the cost disparities are eliminated.

Q. \textbf{PLEASE EXPLAIN FURTHER YOUR OBSERVATION THAT THE FEDERAL STATUTE REJECTS THE USE OF ABOVE-COST SWITCHED ACCESS CHARGES AS A MEANS OF FUNDING UNIVERSAL SERVICE.}

A. Historically, regulators pursued the objective of universal service via a variety of mechanisms, as noted above. At the divestiture of the Bell Operating Companies from the Bell System (AT&T) in 1984, one such mechanism was the setting of switched access charges -- the charges paid by interexchange carriers for use of the local phone networks to originate and terminate long distance calls -- without regard to the cost of providing those originating and terminating network functions.\textsuperscript{13} In this manner, end users placing long distance calls provided revenues that arguably were used to “subsidize” below-cost pricing

\textsuperscript{12} Recall that the historic reason for pricing certain “non-basic” services above cost was in pursuit of a universal service objective.

\textsuperscript{13} As Qwest noted in its “Response to Staff’s Information Request,” filed March 11, 2002, (“Qwest Response,” hereinafter), “The current patchwork of Intercarrier compensation mechanisms, including access, are based on pre-divestiture and pre-Telecommunications Act regulatory schemes that no longer further the policies of recent law of this Commission.” (pp. 1-2). See, also, discussion at p. 26, infra.
of certain services in support of the policy goal of universal service. In this manner, the interexchange carriers acted as the conduit for funneling revenues to the ILECs, and it has become almost universally accepted that those revenues vastly exceeded the ILECs costs of providing access and egress into their local networks. Over the past several years, regulators have begun to recognize both the inefficiency of this mechanism and the inequities associated with having one class of telecommunications services provider contribute above-cost funding for the benefit of a separate class of provider. One obvious example in Arizona is this Commission’s Decision No. 63487 to phase down Qwest’s intrastate switched access charges.

In contrast with the existing inefficient and inequitable mechanism, the Telecommunications Act provides that contributions should be “equitable and non-discriminatory” among carriers. For the reasons discussed below, the current system of “implicit subsidies” cannot be said to meet these standards.

Q. YOU STATED A SECOND REASON INVOLVING WHAT YOU TERMED SEVERE COMPETITIVE IMPLICATIONS OF CONTINUING THE EXISTING ABOVE-COST SWITCHED ACCESS RATES WHEN QWEST IS PERMITTED TO ENTER THE RETAIL LONG DISTANCE MARKET. PLEASE EXPLAIN.

A. Qwest recently filed an application with the FCC to obtain authorization to provide in-region retail long distance services in certain of its states. It will likely file a similar

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14 As discussed below, the term “subsidy” is often misunderstood and/or misused in regulatory proceedings.

15 See, discussion in Section III, infra, for a discussion of the abuses of the term “subsidy.”
application for Arizona in the relatively near future. Absent a restructuring to bring
switched access charges closer to their economic costs, Qwest would have the ability to
engage in an anticompetitive price squeeze against other long distance carriers because it
would be both a retail provider of long distance services and a wholesale provider of
access services to other carriers.

The competitive distortions can be described very simply. When Qwest is
permitted to compete for customers’ retail long distance services, it will provide those
services using the same network components other interexchange carriers utilize in
originating and terminating interexchange traffic. And the relevant cost to Qwest for using
those network components is its economic cost. But the cost to other carriers is the
access rate charged by Qwest. To the extent that Qwest’s access rates exceed the
economic costs of the network components, Qwest will enjoy an artificial, but powerful,
price advantage over other providers of retail long distance services. Such an advantage
would operate to the detriment of Arizona consumers and the competitive process because
Qwest could compete with other carriers on price even if it were the less efficient service
provider. This advantage can be shown by example, as in the following table.

16 See discussion at section III, infra.
Table 1: Example of Competitive Advantage if
Switched Access Prices Remain Above Cost

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<tr>
<td>IXCs</td>
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<td>$0.10</td>
<td>$0.034</td>
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</tbody>
</table>

Q. YOU STATED THAT SUCH A RESULT WOULD BE CONTRARY TO THE
PRIOR MARKET-OPENING DECISIONS OF THIS COMMISSION. WHAT DO
YOU MEAN BY THAT?

A. Recent decisions by this Commission demonstrate a recognition of the need to restructure
Qwest’s wholesale rates.\(^{18}\)

Q. YOU STATED A FOURTH REASON INVOLVES TECHNOLOGICAL AND
COMPETITIVE DEVELOPMENTS PROVIDING SUBSTITUTES FOR

\(^{17}\) Qwest’s “cost” is approximated at 1/10\(^{th}\) cent, as discussed below in this section of my testimony. The
IXCs’ “cost” on the other hand is the tariffed rate they must pay for the use of Qwest’s network for intrastate
calls, as discussed below.

\(^{18}\) Notwithstanding recent positive moves by this Commission in the area of Qwest’s UNE rates, (A.C.C.
Decision No. 64922) WorldCom believes that those rates remain excessive, effectively precluding entry
into the broad residential and small business local services markets in the State.
TRADITIONAL IXC-PROVIDED LONG DISTANCE SERVICES. WHAT DO YOU MEAN BY THAT?

A. Other widely available services act as substitutes or "replacement" technologies for long distance services provided by traditional interexchange carriers. Even though some such technologies also use the ILECs facilities to originate or terminate interexchange traffic -- and thus impose the same costs on the ILECs as traditional IXC-provided long distance service – not all such substitute technologies are subject to the same compensation requirements imposed on interexchange carriers. Rather, such technologies are permitted to use the same or similar facilities for the same or similar purposes at rates far below the switched access charges to which IXCs are subject.

Examples include both telecommunications services such as mobile wireless, as well as non-telecommunications services such as Internet email and instant messaging. As regards the compensation paid by wireless carriers, the FCC, by its ISP Compensation Order, told the ILECs they must be willing to accept a quid pro quo. That is, if the ILECs want to be charged by other carriers at the lower ISP rates established in that Order, the ILECs must offer to exchange all traffic with wireless carriers at those rates. Thus, the FCC has set terminating access rates for wireless carriers at ISP rates (1/10th cent, or $0.001) for the period through June 30, 2003. These rates apply to both interstate and intrastate traffic over the wireless carriers’ networks. It should be obvious that these

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20 After June 30, 2003, the 1/10th cent rate changes to $0.0007 through June, 2004, and ostensibly changes to bill and keep thereafter.
existing disparities in rates and rate structures for various carriers providing substitutable
services using different technologies provide an artificial but powerful economic
advantage over traditional wire-line long distance service.

Q. WHAT DO YOU MEAN BY USE OF THE PHRASE “ARTIFICIAL YET
POWERFUL DISADVANTAGE” IN THIS CONTEXT?

A. This can easily be explained by examining the charges IXCs incur when an end user in
Qwest’s service territory places a typical long distance call within Arizona, and contrasting
that with the costs that providers of substitutes incur for use of Qwest’s network facilities.
When a typical intrastate interLATA call is handled by an IXC, the compensation due to
Qwest for the use of Qwest’s local network facilities is approximately 6.6¢ per minute.\(^{21}\)
As noted above, certain substitutes such as email and instant messaging would pay no
compensation whatsoever for the use of the Qwest network. In the instance of a wireless
carrier, the compensation due to Qwest for such a call would be the 1/10\(^{th}\) cent rate
mentioned above. This massive disparity between charges of over 5¢ per minute and
either 1/10\(^{th}\) cent per minute (or zero) constitutes a significant competitive disadvantage to
the IXC who must pay the significantly higher rate as a cost of competing for the
customer’s business. And because there is no valid economic rationale for such a
disparity, it is clearly “artificial.”\(^{22}\)

\(^{21}\) That figure includes the rates for “local end office switching,” “carrier common line,” and
“interconnection” based on Qwest’s Arizona Access Service tariff (Sect. 6, pp. 128 and 134 and Sect. 3, p.
11). Although the IXC would also have to pay compensation to Qwest for transport and entrance facilities,
I have not included those elements in my calculation.

\(^{22}\) I used the phrase “artificial price advantage” above in comparing Qwest’s situation with that of other
IXCs once Qwest is permitted to offer retail long distance services in Arizona. That advantage, like the one
Q. WHAT ARE THE IMPLICATIONS OF THE EXISTENCE OF THESE SUBSTITUTES AS TO THE COMMISSION'S PRIOR PRACTICE OF USING HIGH SWITCHED ACCESS CHARGES TO SUPPORT A UNIVERSAL SERVICE OBJECTIVE?

A. The most important implication for this proceeding is that the current framework is not sustainable, because consumers should be expected to seek out the lowest priced service(s) to meet their communications needs. As that natural process unfolds, alternatives that are not burdened with the high intrastate switched access charges will continue to take market share from traditional long distance providers, because of the significant, but artificial, economic advantage such alternatives, including "free" long distance service from mobile wireless carriers, voice over the internet, e-mail or instant messaging, possess over traditional wire-line long distance services. And as the traditional long-distance market continues to shrink, the "subsidies"\textsuperscript{23} that were seen as desirable in the past will continue to face erosion.

\textsuperscript{23} As discussed in more detail below, even if a rate for one service or function is set above Qwest's economic cost, it does not necessarily follow that the margin above cost represents a "subsidy." Rather, to arrive that that conclusion the inquiry must also determine whether the service or function ostensibly receiving a subsidy is covering its costs via the rates charged for that service.
III. WHETHER TRANSFERRING COST RECOVERY RESPONSIBILITY FROM IXCS THROUGH CCL CHARGES TO END USERS RESULTS IN END USERS' SUBSIDIES OF ILEC-PROVIDED TOLL SERVICES

Q. PLEASE OUTLINE YOUR TESTIMONY ON THIS ISSUE.

A. First, I will discuss the notion of subsidy and provide a baseline for the remainder of my testimony on this topic. Second, I will explain that the question of whether subsidy flows exist, and if so, in what direction, is exceedingly difficult to answer. Furthermore, an answer is not needed to resolve the matters at issue in this proceeding.

Q. WHAT IS MEANT BY THE TERM “SUBSIDY?”

A. Although I am not an economist, in the plain language meaning of the term, a service (or function) is receiving a subsidy if the price is below the “direct cost” of providing the service (or function). Although there are various definitions of “cost,” the relevant cost for purposes of this discussion are what are termed forward-looking economic costs. As the FCC explained in its “Local Competition Order:”

Incremental costs are the additional costs (usually expressed as a cost per unit) that a firm will incur as a result of expanding the output of a good or service by producing a additional quantity of the good or service. Incremental costs are forward-looking in the sense that these costs are incurred as the output level changes by a given increment. The costs that are considered incremental will vary greatly depending on the size of the increment. For example the incremental cost of carrying an additional call from a residence that is already connected to the network to its end office is virtually zero. The incremental cost of connecting a new residence to its end office, however, is the cost of the loop. Forward-looking incremental costs, plus a portion of the forward-looking joint and common costs, are sometimes referred to as “economic costs.” Embedded or accounting costs are costs that firms incurred in the past for providing a good or service and are recorded as past operating expenses and depreciation. Due to
changes in input prices and technologies, incremental costs may differ from embedded costs of that same increment. In competitive markets, the price of a good or service will tend towards its long-run incremental cost.24 Although the above discussion is a bit lengthy, the key point for our purposes is that, in a competitive market, the price for a good or service will tend toward its long-run incremental cost. As to the meaning of the term “subsidy,” if the price of the service covers the long-run incremental cost of providing the service, it cannot be said to be subsidized.25 In my experience, this is the same definition that ILECs have often used in seeking regulatory approval for pricing of services deemed (by the ILEC) to be “competitive.”

Q. YOU HAVE DEFINED WHAT IT MEANS FOR A SERVICE TO NOT BE RECEIVING A SUBSIDY. WHAT CAN BE SAID ABOUT WHETHER A SERVICE IS PROVIDING A SUBSIDY?

A. This is a difficult problem for the regulator, because there is not a simple answer. As a matter of simple logic, unless the Commission has established that one or more services is receiving a subsidy, it cannot reach the conclusion that any service is providing a subsidy. And as discussed above, to confirm that a service is receiving a subsidy requires an analysis of the long-run incremental cost of providing the service. It is not sufficient for our purposes that a service is priced below its embedded or accounting costs, because such costs are not relevant.

24 FCC Order 96-325, (Local Competition Order) at ¶675.
25 Qwest's position on this point appears to be in agreement with my testimony. See, Qwest's March 11, 2002 "Response to Staff's Information Request," at 5.
I would note in this regard that ILECs have long claimed that local service prices are “subsidized.” However, other than the frequent claim to that effect, I have seen little in the way of demonstrative evidence.\textsuperscript{26} In a related vein, Qwest’s “revenue neutral” proposal does not claim as a basis any alleged “subsidy,” but is rather supported only by Qwest’s stated desire to earn a targeted rate of return.\textsuperscript{27}

Q. **IS IT NECESSARY TO RESOLVE THE QUESTION OF WHETHER SUBSIDIES EXIST FOR PURPOSES OF THIS PROCEEDING?**

A. No, it is not.

Q. **WHY NOT?**

A. As noted above, and as explained in WorldCom’s Comments in the earlier phase of this proceeding, the task of trying to quantify implicit subsidies would be extraordinarily difficult. For the purposes of this proceeding, the relevant question is the extent to which switched access rates exceed long-run incremental costs, and what is the likely impact on the Arizona long distance market once Qwest is allowed to begin providing retail long distance services. The answers to these questions should result in an immediate lowering of Qwest’s switched access to levels approximating its economic cost, as proposed in WorldCom’s comments and discussed further below.

\textsuperscript{26} It may be true that \textit{some} local service prices in \textit{some} low-density areas are below the ILEC’s long-run incremental cost of providing such service, but the claims of the ILECs are usually couched in broad terms without specifics.

\textsuperscript{27} Qwest’s “Response” at 15.
As to the difficulty of quantifying subsidies, I have included as Table 2 a
demonstrative example of the pricing versus the costs for Qwest in the aggregate.

Table 2: Example of Revenues versus Costs
(in $$ millions)

<table>
<thead>
<tr>
<th>Service</th>
<th>Aggregate LRIC (A)</th>
<th>Revenues (B)</th>
<th>Excess Revenues above LRIC (A minus B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switched Access</td>
<td>$20</td>
<td>$120</td>
<td>$100</td>
</tr>
<tr>
<td>Local Services</td>
<td>$100</td>
<td>$90</td>
<td>$(10)</td>
</tr>
<tr>
<td>Vertical Features &amp; Other Services</td>
<td>$10</td>
<td>$60</td>
<td>$50</td>
</tr>
<tr>
<td>Total</td>
<td>$130</td>
<td>$270</td>
<td>$140</td>
</tr>
</tbody>
</table>

The example demonstrates that even with information about broad classes of
service, the Commission would still be left with an unresolved question -- namely, which
of the services generating monopoly rents provides the “subsidy” and which are merely
contributing to Qwest’s profitability. Even more important is that there can be no
objective answer to this question. Imagine a joint checking account where the incomes of
both the husband and the wife are regularly deposited. How can it be determined which of
the spouse’s income was used to pay the electric bill versus the mortgage payment?

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28 By “aggregate LRIC,” I mean the sum of the long-run incremental costs of each offering in the service
category for all of the “units” of service(s) provided.
Q. PLEASE EXPLAIN HOW THE ABOVE DISCUSSION RELATES TO THE
QUESTION OF WHETHER REFORM OF SWITCHED ACCESS
CHARGES WOULD SOMEHOW RESULT IN END USERS GENERATING
A "SUBSIDY" TO ILEC-provided TOLL SERVICES.

A. A precondition for such a result would be a Commission finding that ILEC-provided toll
services were priced below the ILEC's economic cost (i.e., long-run incremental cost) of
providing such services. For the reasons discussed above, however, even if the
Commission were to make such a finding, it would be nearly impossible to attribute the
subsidy to the prices paid by a particular customer group, whether end users,
interexchange carriers, or CLECs.

IV. WHETHER TRANSFERRING COST RECOVERY RESPONSIBILITY FROM
IXCS TO END USERS RESULTS IN END USER BENEFITS

Q. DO YOU AGREE WITH THE STATEMENT OF THIS ISSUE AS SET FORTH IN
THE PROCEDURAL ORDER?

A. No, because the statement presumes facts that have not been established. Specifically, as I
discuss below in the context of WorldCom's proposal in this proceeding, a significant
portion of the intrastate access revenues generated by Qwest in Arizona have no cost basis
whatsoever. There can be no "transfer" of such cost recovery if there are no costs being
recovered.
Having said this, there are significant customer benefits that would result from a lowering of Qwest's switched access charges.

Q. **RESTATING THE ISSUE, IS IT YOUR TESTIMONY THAT END USER BENEFITS WOULD RESULT FROM A LOWERING OF IN-STATE SWITCHED ACCESS TO LEVELS APPROXIMATING LONG-RUN INCREMENTAL COST?**

A. Yes. First, as previously noted, the policy conclusion underlying the 1996 Telecommunications Act was that competitive markets are good for consumers. Therefore, this issue has already been decided as a matter of national telecommunications policy. The explosion of new technology in the customer premises equipment market (as well as the deep reductions in prices for such equipment), and the significantly lowered prices for consumer long distance services bear out the potential for significant consumer benefits in the local services markets. However, notwithstanding the passage of six years since the Act took effect, this Commission is still grappling with questions of how to ensure that Qwest's local telecommunications market remains open as required by the Act. In short, actions such as that proposed by WorldCom in this proceeding are necessary if such consumer benefits are to be realized in the long distance market once Qwest is permitted to provide retail long distance services in conjunction with the underlying access capabilities it is providing today to IXC's.
WHAT CONSIDERATIONS MAKE ACCESS CHARGE REFORM IN THE PUBLIC INTEREST AND WHAT CONSIDERATIONS MAKE WORLDCOM'S PROPOSED ACCESS CHARGE REFORM PLAN IN THE PUBLIC INTEREST

PLEASE OUTLINE WORLDCOM'S PROPOSED ACCESS CHARGE REFORM PLAN.

WorldCom proposes that the Commission enter an order requiring Qwest immediately to implement the following reforms:

- eliminate its intrastate Carrier Common Line ("CCL")
- eliminate its intrastate Residual Interconnection Charge ("RIC"), and
- lower its intrastate "local switching" element in the Arizona switched access tariff to the same level as the corresponding rate in its interstate access tariff.

WHAT IS THE BASIS FOR WORLDCOM'S PROPOSAL?

The steps outlined in WorldCom's proposal would have the effect of an immediate lowering of Qwest's intrastate switched access rates to levels approximating Qwest's economic cost of providing those functions. This is in the public interest for the reasons discussed above, given the likelihood that Qwest will soon be competing in Arizona as both a retail provider of long distance services and a wholesaler of access functions to other carriers who have no alternatives to Qwest's bottleneck facilities.
Q. PLEASE EXPLAIN THE RATIONALE FOR ELIMINATING THE IN-STATE CCL AND RIC CHARGES.

A. This can be explained with a brief background discussion on the history of these rate elements. The carrier common line ("CCL") rate was set at divestiture (1984) without regard to the "cost" of any particular element in the network. Rather, the CCL was established to replace a portion of the revenues that were "lost" when the pooling and division of revenues systems went away. More recently the residual interconnection charge ("RIC," but also known by other names) was created in the context of the restructuring of the ILECs' transport rates as a revenue replacement mechanism for certain "lost revenues." In other words, there is no "cost" associated with either the RIC or the CCL.

Q. PLEASE EXPLAIN THE RATIONALE UNDERLYING WORLD.COM'S PROPOSAL TO HAVE QWEST'S SWITCHED ACCESS RATE SET AT THE SAME LEVEL AS THE INTERSTATE COUNTERPART.

A. Unlike the CCL and RIC rate elements where there are no underlying costs to be recovered, the local switching function does have an underlying cost. The underlying cost does not, however, vary with whether the use of the switch is to handle an intrastate call or an interstate call.

29 See, for example, Arizona Corporation Commission Decision No. 54843, dated January 10, 1986, in Dockets E-1051-84-100, et al, at pp. 53-54, stating that the basis for the rates established was to "compensate Mountain States during 1984 ... as if the previous separations and settlements agreements between ATTCOM and Mountain States had remained in effect."
Q. WHY DO YOU CLAIM THAT THE COSTS DO NOT VARY WITH JURISDICTION?

A. First, long-run incremental costs are defined in functional terms, and the "function" provided by Qwest is the same in switching a call from Tucson to Phoenix as from Tucson to Austin, Texas.30

Second, examination of the way ILECs' costs are allocated under the jurisdictional separations process reveals that the process achieves the same cost per unit for switching. The reason for this is that an ILEC's traffic volumes represent the factor by which the costs are allocated to the interstate versus intrastate jurisdictions.31

30 Indeed, the function is likewise the same for a call handled by Qwest from between two customers located in the same city.
31 The term "jurisdictional separations" describes the process whereby ILECs, pursuant to Part 32 of the FCC's rules, are required to make allocations of their embedded costs for ratemaking purposes between the interstate and state jurisdictions.
The following example will perhaps help clarify this point. In Table 3 below, I demonstrate how the separations process results in identical unit costs.

**Table 3: Example of Unit Switching Costs via the Jurisdictional Separations Process**

<table>
<thead>
<tr>
<th></th>
<th>Minutes of Use (A)</th>
<th>Percent of Total Use (B)</th>
<th>Allocated Cost to Jurisdiction (C) ($100 * B)</th>
<th>Unit Cost (C / A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstate</td>
<td>70,000</td>
<td>70%</td>
<td>$70</td>
<td>0.1¢</td>
</tr>
<tr>
<td>Intrastate</td>
<td>30,000</td>
<td>30%</td>
<td>$30</td>
<td>0.1¢</td>
</tr>
<tr>
<td>Total</td>
<td>100,000</td>
<td>100%</td>
<td>$100</td>
<td></td>
</tr>
</tbody>
</table>

The example assumes the ILEC has a total cost for switching of $100. Because the jurisdictional separations process is usage driven, as the example shows, the unit costs that result mathematically will be identical in both the interstate and state jurisdictions, for a per-minute switching cost of 1/10ths cent ($0.001).

**Q. ARE THERE OTHER REASONS WHY WORLDCOM IS SUGGESTING THAT THE COMMISSION LOOK AT QWEST’S INTERSTATE SWITCHED RATES AS APPROXIMATING ITS ECONOMIC COST?**

**A.** The primary reasons are administrative efficiency and the ability rapidly to put in place switched access rates eliminating the competitive distortions and artificial competitive advantage described above.
Qwest's interstate rates represent a reasonable proxy for intrastate switched access rates for the following reasons. First, the ILECs’ interstate rates have been the basis of annual review under the “price cap regime” in place since the early 1990s. The starting point for each ILEC’s rates was the ILEC’s historic, embedded interstate costs (i.e., the company’s regulated costs, as assigned to the interstate jurisdiction through the jurisdictional separation process). The resulting interstate access rates were subject to an annual review each July, and adjusted as appropriate. Pursuant to a recent decision by the FCC approving a proposal by a number of ILECs and IXCs (the “CALLS proposal”), the large price-cap ILECs will be lowering their interstate switched access rates to a “target” rate level reflecting an approximation of the ILECs’ forward looking economic costs of providing those switched access functions. That “target” results in an effective per-minute rate slightly above ½ cent per minute ($0.0055). In approving the proposal, the FCC noted that the target rate was agreed to by a number of parties with differing interests -- including the larger ILECs (e.g., Qwest and GTE) and some of the larger IXCs -- and that the target was “in the ballpark” as to those ILECs’ economic costs of providing the various functions.

With this in mind, we find that the rate established at the federal level for local switching is below ¼ cent ($0.0022490). When that interstate rate is compared with the

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32 The FCC’s “price cap” regulations are applicable to the largest ILECs, including Qwest (formerly US West) and Verizon (formerly GTE).
33 As Qwest stated in its Response (p. 6), such a costing methodology is “outdated” and “not appropriate for use in intrastate access ratemaking.”
34 The target rate excludes the CCL which, under the plan was to be brought to zero. Thus, Qwest currently has an interstate CCL rate of zero.
current intrastate rate of $0.0173 for local switching, we see that the Arizona intrastate rate is nearly 8 times as high as the price charged to IXCs for the local switching function for a minute of traffic originating or terminating out of state. And because economic costs do not vary by artificial classifications such as traffic jurisdiction, there is no basis for an argument that intrastate switching costs exceed the interstate rate.

Furthermore, as noted above, Qwest has agreed to charge a rate of $1/10^7$ per minute to wireless carriers for the local switching function. This strongly indicates that Qwest’s economic cost to provide local switching is only a small fraction of a penny per minute, in comparison to the nearly 2 $\varphi$ per minute that is charged to IXCs under the Arizona switched access tariffs. Another comparison is the UNE switching rate established by the Commission, which is about $1/4$ $\varphi$ per minute. Again, this rate is significantly closer to the $1/10^7$ $\varphi$ per minute rate at which Qwest has agreed to perform switching functionality for wireless carriers, indicative that it is much closer to Qwest’s economic costs than the current intrastate switched access rate of nearly 2 $\varphi$ per minute.

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35 As discussed above, this is only a fraction of the roughly 7 cents per minute charged by Qwest under its existing access tariff for intrastate traffic.

VI. COMMENT ON OTHER ISSUES

Q. PLEASE PROVIDE WORLDCOM’S COMMENTS REGARDING ANY OTHER ISSUES IT BELIEVES THE COMMISSION SHOULD CONSIDER IN THIS PROCEEDING.

A. The one significant upcoming event that should color the way this proceeding is handled is the likely approval of Qwest request for 271 relief. At that time, Qwest will be positioned to provide retail long distance services in competition with the traditional IXCs. As discussed at length herein, WorldCom believes the focus of this proceeding should be on eliminating the potential anticompetitive effects of Qwest's above-cost switched access rates.

Q. DO YOU HAVE ANY COMMENTS ABOUT THE SWITCHED ACCESS RATES OF OTHER ILECS OPERATING IN ARIZONA?

A. By far, the most significant public policy issue before the Commission is the fact that Qwest continues to possess enormous market power in the local exchange market in Arizona. As a result, the fact that its existing intrastate switched access rates are many times greater than its economic cost(s) means that it will possess a marked, artificial cost advantage once it obtains the right to provide retail long distance services in Arizona. That cost advantage could permit Qwest to engage in an anticompetitive price squeeze.
relative to other retail long distance service providers that can be avoided by reducing its switched access costs to levels approximating its economic cost.

In contrast, the other ILECs operating in Arizona control relatively miniscule markets, with little potential to abuse their market power in the long distance market. For this reason, WorldCom sees little urgency in moving forward with switched access reform for ILECs other than Qwest. However, if the Commission believes that it is necessary to proceed with reform of the other ILECs’ access charges, WorldCom strongly recommends doing so in a phased manner, with the focus of the initial part of the proceeding on Qwest’s switched access rates.

Q.  DO YOU HAVE FURTHER COMMENTS ON THE POSITIONS TAKEN IN QWEST’S PREVIOUSLY FILED “RESPONSE” ON ACCESS CHARGE ISSUES?

A.  Yes. One comment in Qwest’s Response that was particularly troublesome was its statement implying that carriers have numerous choices in transport facilities.37 It is WorldCom’s experience that such choices only exist in a small fraction of circumstances even in the most competitive markets, e.g., New York City. As a general rule, IXCs have limited alternatives to the ubiquitous transport networks the ILECs have constructed over the decades using captive ratepayer funds. Furthermore, Qwest’s statement is contrary to the above-cited conclusion by the Supreme Court that ILECs have an “insurmountable competitive advantage” in competing with other carriers. The Commission should dismiss Qwest’s statement as not supported by any fact.

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Q. DO YOU HAVE OTHER COMMENTS ON QWEST’S PROPOSAL?

A. Yes. At page 8 of its Response, Qwest makes the statement that the “FCC requires that the provision of local service is a prerequisite for the purchase of UNEs because UNEs have been established to encourage local competition.” This is incorrect. In its UNE Remand Order, the FCC discussed the issue of use restrictions at some length:

Section 251(c)(3) of the Act requires incumbent LECs to provide to requesting carriers access to unbundled network elements “for the provision of a telecommunications service . . . .” In the Local Competition First Report and Order, the Commission found that section 251(c)(3) “permits interexchange carriers and all other requesting carriers, to purchase unbundled elements for the purpose of offering exchange access services, or for the purpose of providing exchange access services to themselves in order to provide interexchange services to consumers.” In particular, the Commission found that its conclusion not to impose restrictions on the use of unbundled network elements was “compelled by the plain language of the 1996 Act” because exchange access and interexchange services are “telecommunications services.” Moreover, in the Local Competition First Report and Order, the Commission found that “the language of section 251(c)(3), which provides that telecommunications carriers may purchase unbundled elements in order to provide a telecommunications service, is not ambiguous.” This conclusion that the Act does not permit usage restrictions was codified in Rule 51.309(a), which provides that “[a]n incumbent LEC shall not impose limitations, restrictions, or requirements on request for, or the use of, unbundled network elements that would impair the ability of a requesting telecommunications carrier to offer a telecommunications service in the manner the requesting telecommunications carrier intends.” That rule was not challenged in court by any party.38

37 Qwest’s Response at 6-7.

The FCC went on to state that:

... interexchange carriers are entitled to use unbundled dedicated transport from their POP to a serving wire center in order to provide local telephone exchange service. Such carriers are entitled to obtain such dedicated transport links pursuant to the unbundling standard discussed above. The fact that such carriers may also provide exchange access over those facilities does not alter our conclusion.\(^{39}\)

Beyond the fact that the sort of use restriction that Qwest implies is unsupported by the FCC’s rules, such restrictions are contrary to the “equitable and non-discriminatory” principles discussed above. Taken to their logical conclusion, Qwest’s implication would mean that one set of facilities would be used to provide local services, and separate facilities would be used to provide other services, including long distance -- a result that is completely contrary to traditional network engineering principles. Engineering principles would encourage efficiency in network operations rather than forcing a fragmentation of services over discrete network components. In short, the only rationale behind restricting use of UNEs for local services only would be to drive up CLECs’ and/or IXCs’ costs of competing with Qwest, so as to preserve an artificial cost advantage to Qwest in the marketplace. Qwest’s statement, for these reasons, is incorrect both as a matter of the FCC’s rules and as a matter of sound public policy, and should be disregarded.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?
A. Yes, it does.

\(^{39}\) Id., at ¶488,
EXHIBIT I
DON PRICE
ACADEMIC AND PROFESSIONAL QUALIFICATIONS, AND TESTIMONY PRESENTED BEFORE REGULATORY AGENCIES

Academic Background:

My academic background is in the social sciences. I received my Bachelor of Arts degree in Sociology from the University of Texas at Arlington May of 1977 and was awarded a Master of Arts degree in Sociology by the University of Texas at Arlington in December, 1978.

Professional Qualifications:

From January, 1979 until October, 1983, I was employed by the Southwest telephone operating company of GTE where I held several positions of increasing responsibility in Economic Planning. In those positions I became acquainted with such local exchange telephone company functions as the workings and design of the local exchange network, the network planning process, the operation of a business office, and the design and operation of large billing systems.

From November 1983 until October 1986, was employed by the Public Utility Commission of Texas. I provided analysis and expert testimony on a variety of rate design issues including setting of rates for switched and special access services, MTS (toll), WATS, EAS, and local and general exchange services. In 1986 I was promoted to Manager of Rates and Tariffs, and was directly responsible for staff analyses of rate design and tariff issues in all telecommunications proceedings before the Texas Commission.

I have been with WorldCom (formerly MCI WorldCom, and MCI Telecommunications Corporation prior to the merger) for nearly sixteen years, during which time all of my experience has been in the regulatory and public policy arena. Since 1993 with MCI's acquisition of Western Union Access Transmission Services, the focus of my activities has been in areas relating to local competition, including contract negotiations and presentation of testimony on the company's policy positions for state arbitrations. In
my present position as Senior Regional Manager, Competition Policy, I have broad responsibilities in developing and coordinating WorldCom's regulatory and public policy initiatives for the western portion of the company's domestic operations. Those responsibilities require that I work closely on a day-to-day basis with WorldCom's regulatory teams in both the state and federal arenas, as well as with all of the Company's business units.

While with WorldCom, I have appeared as a panelist before various professional and trade associations and public seminars, including the Texas Society of CPAs, the University of Texas Department of Electrical and Computer Engineering Telecommunications Conference, the Alabama Telephone Association, the Arkansas Telephone Association, and the National Association of Regulatory Utility Attorneys.

I have testified before a number of commissions, including the Federal Communications Commission, the Arizona Corporation Commission, the Public Service Commission of Arkansas, the California Public Utilities Commission, the Public Service Commission of Florida, the Georgia Public Service Commission, the Kansas Corporation Commission, the Public Service Commission of Kentucky, the Louisiana Public Service Commission, the Missouri Public Service Commission, the Public Utilities Commission of Nevada, the North Carolina Utilities Commission, the Corporation Commission of the State of Oklahoma, the Public Utility Commission of Oregon, the Public Service Commission of South Carolina, the Tennessee Regulatory Authority, the Public Utility Commission of Texas, and the Washington Utilities and Transportation Commission. A list of those proceedings in which I have furnished testimony is provided below.
Testimony Presented:

FCC

CC Docket No. 00-4: In the Matter of Application by SBC Communications, Inc., Southwestern Bell Telephone Company, and Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region, InterLATA Services in Texas

Arkansas

Docket No. 91-051-U: IN RE IMPLEMENTATION OF TITLE IV OF THE AMERICANS WITH DISABILITIES ACT OF 1990

Docket No. 92-079-R: IN THE MATTER OF A PROCEEDING FOR THE DEVELOPMENT OF RULES AND POLICIES CONCERNING OPERATOR SERVICE PROVIDERS

Arizona


California

APPLICATION 01-01-010: APPLICATION BY PACIFIC BELL TELEPHONE COMPANY (U 1001 C) FOR ARBITRATION OF AN INTERCONNECTION AGREEMENT WITH MCIMETRO ACCESS TRANSMISSION SERVICES, L.L.C. (U 5253 C) PURSUANT TO SECTION 252(B) OF THE TELECOMMUNICATIONS ACT OF 1996

RULEMAKING R.93-04-003, INVESTIGATION I.93-04-002: ON THE COMMISSION'S OWN MOTION TO GOVERN OPEN ACCESS TO BOTTLENECK SERVICES AND ESTABLISH A FRAMEWORK FOR NETWORK ARCHITECTURE DEVELOPMENT OF DOMINANT CARRIER NETWORKS; INVESTIGATION ON THE COMMISSION'S OWN MOTION INTO OPEN ACCESS AND NETWORK ARCHITECTURE DEVELOPMENT OF DOMINANT CARRIER NETWORKS
Florida

Docket No. 941272-TL: IN RE: SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY’S PETITION FOR APPROVAL OF NUMBERING PLAN AREA RELIEF FOR 305 AREA CODE

Docket No. 950696-TP: IN RE: DETERMINATION OF FUNDING FOR UNIVERSAL SERVICE AND CARRIER OF LAST RESORT RESPONSIBILITIES.

Docket No. 950737-TP: IN RE: INVESTIGATION INTO TEMPORARY LOCAL TELEPHONE NUMBER PORTABILITY SOLUTION TO IMPLEMENT COMPETITION IN LOCAL EXCHANGE TELEPHONE MARKETS.

Docket No. 950984-TP: IN RE: RESOLUTION OF PETITION(S) TO ESTABLISH NON-DISCRIMINATORY RATES, TERMS, AND CONDITIONS FOR RESALE INVOLVING LOCAL EXCHANGE COMPANIES AND ALTERNATIVE LOCAL EXCHANGE COMPANIES PURSUANT TO SECTION 364.162, FLORIDA STATUTES.

Docket No. 950985-TP: IN RE: RESOLUTION OF PETITION(S) TO ESTABLISH NON-DISCRIMINATORY RATES, TERMS, AND CONDITIONS FOR INTERCONNECTION INVOLVING LOCAL EXCHANGE COMPANIES AND ALTERNATIVE LOCAL EXCHANGE COMPANIES PURSUANT TO SECTION 364.162, FLORIDA STATUTES.

Docket No. 000649-TP: IN RE: PETITION OF MCIMETRO ACCESS TRANSMISSION SERVICES, LLC AND MCI WORLDCOMMUNICATIONS, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED AGREEMENT WITH BELLSOUTH TELECOMMUNICATIONS, INC. CONCERNING INTERCONNECTION AND RESALE UNDER THE TELECOMMUNICATIONS ACT OF 1996.

Georgia

Docket No. 5548-U: IN RE: INVESTIGATION INTO THE FUNDING OF UNIVERSAL SERVICE.

Docket No. 6537-U: IN THE MATTER OF: MCIMETRO PETITION TO ESTABLISH NONDISCRIMINATORY RATES, TERMS AND CONDITIONS FOR UNBUNDLING AND RESALE OF LOCAL LOOPS.
Georgia (continued)

Docket No. 11901-U: IN RE: PETITION OF MCIMETRO ACCESS TRANSMISSION SERVICES, LLC AND MCI WORLDCOM COMMUNICATIONS, INC. FOR ARBITRATION OF CERTAIN TERMS AND CONDITIONS OF PROPOSED AGREEMENT WITH BELL SOUTH TELECOMMUNICATIONS, INC. CONCERNING INTERCONNECTION AND RESALE UNDER THE TELECOMMUNICATIONS ACT OF 1996.

Kansas

Docket No. 190,492-U: IN THE MATTER OF A GENERAL INVESTIGATION INTO COMPETITION WITHIN THE TELECOMMUNICATIONS INDUSTRY IN THE STATE OF KANSAS

Louisiana

Docket No. U-17957: IN RE: INVESTIGATION OF OPERATING PRACTICES OF ALTERNATIVE OPERATOR SERVICES PROVIDERS TO INCLUDE RATES AND CHARGES.

Docket No. U-19806: IN RE: PETITION OF AT&T COMMUNICATIONS OF THE SOUTH CENTRAL STATES, INC., FOR REDUCED REGULATION OF INTRASTATE OPERATIONS.

Docket No. U-20237: IN RE: OBJECTIONS TO THE FILING OF REDUCED WATS SAVER SERVICE RATES, INTRALATA, STATE OF LOUISIANA.

Docket No. U-20710: IN RE: GENERIC HEARING TO CLARIFY THE PRICING/IMPUTATION STANDARD SET FORTH IN COMMISSION ORDER NO. U-17949-N ON A PROSPECTIVE BASIS ONLY, AS THE STANDARD RELATES TO LEC COMPETITIVE TOLL OFFERINGS.

**Louisiana (continued)**


**Minnesota**

Docket No. P-421/CI-01-1371: IN THE MATTER OF A COMMISSION INVESTIGATION INTO QWEST'S COMPLIANCE WITH SECTION 271(c)(2)(B) OF THE TELECOMMUNICATIONS ACT OF 1996; CHECKLIST ITEMS 1, 2, 4, 5, 6, 11, 13, AND 14

**Missouri**

Case No. TO-87-42: IN THE MATTER OF SOUTHWESTERN BELL TELEPHONE COMPANY FILING ACCESS SERVICES TARIFF REVISIONS AND WIDE AREA TELECOMMUNICATIONS SERVICE (WATS) TARIFF, INDEX, 6th REVISED SHEET, ORIGINAL SHEET 16.01.

Case No. TO-95-289, ET AL: IN THE MATTER OF AN INVESTIGATION INTO THE EXHAUSTION OF TELEPHONE NUMBERS IN THE 314 NUMBERING PLAN AREA.

CASE NO. TC-2000-225, ET AL.: MCI WORLDCOM COMMUNICATIONS, INC., BROOKS FIBER COMMUNICATIONS OF MISSOURI, INC., BROADSPAN COMMUNICATIONS, INC., D/B/A PRIMARY NETWORK COMMUNICATIONS, INC., COMPLAINANTS, VS. SOUTHWESTERN BELL TELEPHONE COMPANY, RESPONDENT.

CASE NO. TO-2001-467: IN THE MATTER OF THE INVESTIGATION OF THE STATE OF COMPETITION IN THE EXCHANGES OF SOUTHWESTERN BELL TELEPHONE COMPANY.

CASE No. TO-2002-222: PETITION OF MCIMetro ACCESS TRANSMISSION SERVICES LLC, BROOKS FIBER COMMUNICATIONS OF MISSOURI, INC. AND MCI WORLDCOM COMMUNICATIONS, INC. FOR ARBITRATION OF AN INTERCONNECTION AGREEMENT WITH SOUTHWESTERN BELL TELEPHONE COMPANY UNDER THE TELECOMMUNICATIONS ACT OF 1996
Nevada

CASE NO. 01-12047: IN RE: APPLICATION OF CENTRAL TELEPHONE COMPANY - NEVADA d/b/a SPRINT OF NEVADA TO CONTINUE PARTICIPATION IN THE PLAN OF ALTERNATIVE REGULATION, INCLUDING A REQUEST TO INCREASE PRICES

North Carolina

Docket No. P-100, SUB 119: IN THE MATTER OF: ASSIGNMENT OF N11 DIALING CODES.

Docket No. P-141, SUB 29: IN THE MATTER OF: PETITION OF MCI TELECOMMUNICATIONS CORPORATION FOR ARBITRATION OF INTERCONNECTION WITH BELLSOOUTH TELECOMMUNICATIONS, INC.

**Oklahoma**

Consolidated Dockets PUD NO. 000237: IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR AN ORDER APPROVING PROPOSED CHANGES AND ADDITIONS IN APPLICANTS' WIDE AREA TELECOMMUNICATIONS SERVICE PLAN TARIFF; and,

PUD NO. 000254: IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR AN ORDER APPROVING PROPOSED ADDITIONS AND CHANGES IN APPLICANTS' ACCESS SERVICE TARIFF AND WIDE AREA TELECOMMUNICATIONS SERVICE PLAN TARIFF

Consolidated Dockets PUD NO.920001335: IN THE MATTER OF THE APPLICATION OF THE OKLAHOMA RURAL TELEPHONE COALITION, GTE SOUTHWEST, INC., ALLTEL OKLAHOMA, INC., AND OKLAHOMA ALLTEL, INC. FOR AN ORDER ADOPTING THE OKLAHOMA ALTERNATIVE SETTLEMENT PLAN; and

PUD NO.920001213: IN THE MATTER OF THE APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR AN ORDER IMPLEMENTING TERMINATING ACCESS CHARGES IN LIEU OF INTRALATA TOLL AND SURCHARGE POOLS; and

PUD NO.940000051: IN RE: INQUIRY OF THE OKLAHOMA CORPORATION COMMISSION REGARDING WHETHER THE INTRALATA TOLL POOL AND SURCHARGE POOL SHOULD CONTINUE TO EXIST IN THE STATE OF OKLAHOMA

**Oregon**

Docket UN 1038: IN THE MATTER OF AN INVESTIGATION INTO ISSUES RELATED TO THE COMMISSION POLICY OF POSTING SERVICE QUALITY REPORTS TO ITS WEBSITE, PURSUANT TO ORS 756.510

**South Carolina**

Docket No. 92-606-C: IN RE: N11 SERVICE CODES.
**Tennessee**

Docket No.93-07799: IN RE: SHOW CAUSE PROCEEDING AGAINST CERTIFIED IXCS AND LECS TO PROVIDE TOLL FREE, COUNTY-WIDE CALLING.

Docket No.93-08793: IN RE: APPLICATION OF MCI METRO ACCESS TRANSMISSION SERVICES, INC. FOR AUTHORITY TO OFFER LOCAL EXCHANGE SERVICES WITHIN TENNESSEE.

Docket No.94-00184: INQUIRY FOR TELECOMMUNICATIONS RULEMAKING REGARDING COMPETITION IN THE LOCAL EXCHANGE.

Docket No.95-02499: UNIVERSAL SERVICE PROCEEDING, PART 1 - COST OF UNIVERSAL SERVICE AND CURRENT SOURCES OF UNIVERSAL SERVICE SUPPORT, AND PART 2 - ALTERNATIVE UNIVERSAL SERVICE SUPPORT MECHANISMS.

Docket No. 00-00309: PETITION OF MCIMETRO ACCESS SERVICES, LLC AND BROOKS FIBER COMMUNICATIONS OF TENNESSEE, INC. FOR ARBITRATION UNDER THE TELECOMMUNICATIONS ACT OF 1996

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Docket 4992: APPLICATION OF GENERAL TELEPHONE COMPANY OF THE SOUTHWEST FOR A RATE/TARIFF REVISION.


Docket 5610: APPLICATION OF GENERAL TELEPHONE COMPANY OF THE SOUTHWEST FOR A RATE INCREASE.

Docket 5800: APPLICATION OF AT&T COMMUNICATIONS FOR AUTHORITY TO IMPLEMENT "REACH OUT TEXAS."

Docket 5898: APPLICATION OF SAN ANGELO FOR REMOVAL OF THE EXTENDED AREA SERVICE CHARGE FROM GENERAL TELEPHONE COMPANY OF THE SOUTHWEST'S RATES IN SAN ANGELO, TEXAS.
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Docket 5926: APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY TO
ESTABLISH FEATURE GROUP "E" (FGE) ACCESS SERVICE FOR RADIO AND
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Docket 5954: INQUIRY OF THE PUBLIC UTILITY COMMISSION OF TEXAS INTO
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Docket 6095: APPLICATION OF AT&T COMMUNICATION FOR A RATE INCREASE.

Docket 6200: PETITION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR
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Docket 6264: PETITION OF THE GENERAL COUNSEL FOR INITIATION OF AN
EVIDENTIARY PROCEEDING TO ESTABLISH TELECOMMUNICATIONS
SUBMARKETS.

Docket 6501: APPLICATION OF VALLEY VIEW TELEPHONE COMPANY FOR AN
AMENDMENT TO CERTIFICATE OF CONVENIENCE AND NECESSITY.

Docket 6635: APPLICATION OF MUSTANG TELEPHONE COMPANY FOR AUTHORITY
TO CHANGE RATES.

Docket 6740: APPLICATION OF SOUTHWEST TEXAS TELEPHONE COMPANY FOR
RATE INCREASE.

Docket 6935: APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY TO
INTRODUCE MICROLINK II- PACKET SWITCHING DIGITAL SERVICE.

Docket 8730: INQUIRY OF THE GENERAL COUNSEL INTO THE MEET-POINT BILLING
PRACTICES OF GTE SOUTHWEST, INC.
Texas (continued)

Docket 8218: INQUIRY OF THE GENERAL COUNSEL INTO THE WATS PRORATE CREDIT.

Docket 8585: INQUIRY OF THE GENERAL COUNSEL INTO THE REASONABLENESS OF THE RATES AND SERVICES OF SOUTHWESTERN BELL TELEPHONE COMPANY.

Docket 10127: APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY TO REVISE SECTION 2 OF ITS INTRASTATE ACCESS SERVICE TARIFF.

Docket 11441: PETITIONS OF INFODIAL, INC., AND OTHERS FOR ASSIGNMENT OF ABBREVIATED NII DIALING CODES.

Docket 11840: JOINT PETITION OF SOUTHWESTERN BELL TELEPHONE COMPANY AND GTE SOUTHWEST, INC. TO PROVIDE EXTENDED AREA SERVICE TO CERTAIN COMMUNITIES IN THE LOWER RIO GRANDE VALLEY.

Docket 14447: PETITION OF MCI TELECOMMUNICATIONS CORPORATION FOR AN INVESTIGATION OF THE PRACTICES OF SOUTHWESTERN BELL TELEPHONE COMPANY REGARDING THE EXHAUSTION OF TELEPHONE NUMBERS IN THE 214 NUMBERING PLAN AREA AND REQUEST FOR A CEASE AND DESIST ORDER AGAINST SOUTHWESTERN BELL TELEPHONE COMPANY.

Dockets 14940 and 14943: APPLICATION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR INTERIM NUMBER PORTABILITY PURSUANT TO '3.455 OF THE PUBLIC UTILITY REGULATORY ACT; AND APPLICATION OF GTE SOUTHWEST, INC. AND CONTEL OF TEXAS, INC. FOR INTERIM NUMBER PORTABILITY PURSUANT TO '3.455 OF THE PUBLIC UTILITY REGULATORY ACT.

Docket 16251: INVESTIGATION OF SOUTHWESTERN BELL TELEPHONE COMPANY'S ENTRY INTO THE INTERLATA TELECOMMUNICATIONS MARKET.

Docket 16285: PETITION OF MCI TELECOMMUNICATIONS CORPORATION AND ITS AFFILIATE MCIMETRO ACCESS TRANSMISSION SERVICES, INC. FOR ARBITRATION AND REQUEST FOR MEDIATION UNDER THE FEDERAL TELECOMMUNICATIONS ACT OF 1996.
Texas (continued)

Docket 18117: COMPLAINT OF MCI TELECOMMUNICATIONS CORPORATION AND MCIMETRO ACCESS TRANSMISSION SERVICE, INC. AGAINST SWBT FOR VIOLATION OF COMMISSION ORDER IN DOCKET NOS. 16285 AND 17587 REGARDING PROVISIONING OF UNBUNDLED DEDICATED TRANSPORT.

Docket 19075: PETITION OF MCI TELECOMMUNICATIONS CORPORATION FOR ARBITRATION OF DIRECTORY ASSISTANCE LISTINGS ISSUES UNDER FEDERAL TELECOMMUNICATIONS ACT OF 1996.

Docket 21706: COMPLAINT OF MFS COMMUNICATIONS COMPANY, INC. AGAINST GTE SOUTHWEST, INCORPORATED REGARDING GTE’S NONPAYMENT OF RECIPROCAL COMPENSATION.

Docket 21791: PETITION OF SOUTHWESTERN BELL TELEPHONE COMPANY FOR ARBITRATION WITH MCI WORLDCOM COMMUNICATIONS, INC. PURSUANT TO SECTION 252(B)(1) OF THE FEDERAL TELECOMMUNICATIONS ACT OF 1996.

Docket 21982: PROCEEDING TO EXAMINE RECIPROCAL COMPENSATION PURSUANT TO SECTION 252 OF THE FEDERAL TELECOMMUNICATIONS ACT OF 1996.

Dockets 22168/22469: PETITION OF IP COMMUNICATIONS CORPORATION TO ESTABLISH EXPEDITED PUBLIC UTILITY COMMISSION OF TEXAS OVERSIGHT CONCERNING LINE SHARING ISSUES; COMPLAINT OF COVAD COMMUNICATIONS COMPANY AND RHYTHMS LINKS, INC. AGAINST SOUTHWESTERN BELL TELEPHONE COMPANY AND GTE SOUTHWEST INC. FOR POST-INTERCONNECTION AGREEMENT DISPUTE RESOLUTION AND ARBITRATION UNDER THE TELECOMMUNICATIONS ACT OF 1996 REGARDING RATES, TERMS, CONDITIONS AND RELATED ARRANGEMENTS FOR LINE SHARING.

Docket 24542: PETITION OF MCIMETRO ACCESS TRANSMISSION SERVICES LLC FOR ARBITRATION OF AN INTERCONNECTION AGREEMENT WITH SOUTHWESTERN BELL TELEPHONE COMPANY UNDER THE TELECOMMUNICATIONS ACT OF 1996.
Washington


DOCKET NO. UT-003013, Part D: IN THE MATTER OF THE CONTINUED COSTING AND PRICING OF UNBUNDLED NETWORK ELEMENTS, TRANSPORT, AND TERMINATION