BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN

JIM IRVIN
COMMISSIONER

MARC SPITZER
COMMISSIONER

In the Matter of Investigation into
US West Communications, Inc.'s
Compliance with Certain Wholesale
Pricing Requirements for Unbundled
Network Elements and Resale
Discounts

Docket No: T-00000A-00-0194

NOTICE OF FILING
TESTIMONY OF
EDWARD J. CAPUTO
ON BEHALF OF
WORLDCOM, INC.

WorldCom, Inc. ("Wcom") hereby files the testimony of Edward J. Caputo in the
above-referenced matter.

RESPECTFULLY SUBMITTED this 16th day May, 2001.

LEWIS AND ROCA

Thomas H. Campbell
40 N. Central Avenue
Phoenix, Arizona 85004

- AND -
Thomas F. Dixon  
WorldCom, Inc.  
700 17th Street  
Denver, CO 80202

Attorneys for WorldCom, Inc.

ORIGINAL AND ten (10) copies  
of the foregoing hand-delivered this  
16th day of May, 2001, to:

Arizona Corporation Commission  
Utilities Division – Docket Control  
1200 W. Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered  
this 16th day of May, 2001,  
to:

Deborah Scott, Director  
Utilities Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

Maureen Scott  
Legal Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

Jane Rodda  
Chief Administrative Law Judge  
Hearing Division  
Arizona Corporation Commission  
1200 W. Washington Street  
Phoenix, Arizona 85007

COPY of the foregoing mailed  
this 16th day of May, 2001,  
to:

Kathleen Ford  
US West, Inc.  
1801 California Avenue  
Suite 5100  
Denver, Colorado 80203
LEWIS AND ROCA LLP

Lawyers

Timothy Berg
Fennemore Craig, P.C.
3003 N. Central Avenue
Suite 2600
Phoenix, Arizona 85012

Peter A. Rohrback
Mace J. Rosenstein
Yaron dori
Hogan & Hartson, LLP
555 Thirteenth Street, NW
Washington, DC 20004-1009

Raymond Heyman
Michael Patten
Roshka Heyman & DeWulf
400 N. Fifth Street
Suite 1000
Phoenix, Arizona 85004-3906

Joan S. Burke
Osborn Maledon, P.A.
2929 N. Central Avenue
12th Floor
P.O. Box 36379
Phoenix, Arizona 85067-6379

Michael Singer Nelson
Richard S. Wolters
AT&T
1875 Lawrence Street
Suite 1575
Denver, CO 80202

Eric S. Heath, Esq.
Sprint Communications
100 Spear Street, Suite 930
San Francisco, California 94105

Scott Wakefield, Chief Counsel
Residential Utility Consumer Office
2828 N. Central Avenue
Suite 1200
Phoenix, Arizona 85004
Michael Grant
Gallagher & Kennedy
2575 E. Camelback Road
Phoenix, Arizona 85016-9225
Attorneys for Electric Lightwave, Inc., COVAD
Communications, Inc. and New Edge Networks

Mary E. Steele
Gregory Kopta
Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, Washington 98101-1688
Attorneys for Nextlink Arizona, Inc.,
Advanced Telecom Group, Inc. and
AT&T Communications of the Mountain States

Maureen Arnold
Qwest Corporation
3033 N. Third Street
Room 1010
Phoenix, AZ 85004

David R. Conn
McLeod USA Telecommunications Services
6400 C Street, S.W.
Cedar Rapids, IA 52406

Traci Grundon
Davis Wright Tremaine LLP
1300 S.W. Fifth Avenue
Portland, OR 97201

Thomas W. Hartman
SBC Telcom
175 E. Houston Street
Room 1256
San Antonio, TX 78205

Diane Bacon
Communications Workers of America
5818 N. 7th Street
suite 206
Phoenix, AZ 85014-5811

K. Megan Doberneck
Covad Communications Company
7901 Lowry Boulevard
Denver, CO 80230
LEWIS AND ROCA LLP

1. Gary Yaquinto
   GST Telecom, Inc.
   3003 N. Central Avenue
   Suite 1600
   Phoenix, Arizona 85012

2. Penny Bewick
   New Edge Networks, Inc.
   P.O. Box 5159
   3000 Columbia House Blvd.
   Suite 106
   Vancouver, WA 98668

3. W. Clay Deanhardt
   Covad Communications
   2330 Central Expressway
   Santa Clara, CA 95050

4. Jeffrey W. Crockett
   Jeffrey B. Guldner
   Snell & Wilmer LLP
   One Arizona Center
   Phoenix, Arizona 85004-2202

5. Jon Poston
   Arizonans for Competition in Telephone Service
   6733 E. Dale Lane
   Cave Creek, Arizona 85331-6561

6. Rex M. Knowles
   Nextlink Communications, Inc.
   111 E. Broadway
   Suite 1000
   Salt Lake City, UT 84111

7. Brian Thomas
   Time Warner Telecom, Inc.
   520 S.W. 6th Avenue, Suite 300
   Portland, OR 97204

8. Timothy Peters
   Electric Lightwave, Inc.
   4400 N.E. 77th Avenue
   Vancouver, WA 98662

9. Carrington Phillips
   Cox Arizona Telecom, Inc.
   1400 Lake Hearn Drive
   Atlanta, GA 30319
Gary L. Lane
6902 E. 1st Street
Suite 201
Scottsdale, Arizona 85251

Kath Thomas
Advanced Telecom Group, Inc.
100 Stoney Point Road
Suite 130
Santa Rosa, CA 95401

Steve Sager
McLeaUSA Telecommunications Services
215 South State Street
10th Floor
Salt Lake City, UT 84111

Marti Allbright, Esq.
Mpower Communications Corp.
5711 South Benton Circle
Littleton, Colorado 80123

Janet Livengood
Z-Tel
601 S. Harbour Is. Boulevard
Tampa, Florida 33602

Michael B. Hazzard
Kelley Drye & Warren, LLP
1200 19th Street, N.W.
Fifth Floor
Washington, DC 20036

Steven J. Duffy
Ridge & Isaacson, P.C.
3101 N. Central Avenue
Suite 1090
Phoenix, Arizona 85012-2638

Andrea Harris
Allegiance Telecom, Inc. of Arizona
2101 Webster, Suite 1580
Oakland, California 94612

Douglas Hsiao
Rhythms Links, Inc.
6933 S. Revere Parkway
Englewood, CO 80112

6
Dennis Ahlers
Escheron Telecom, Inc.
730 Second Avenue South
Suite 1200
Minneapolis, MN 55402
BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JAMES M. IRVIN
Commissioner
MARC SPITZER
Commissioner

IN THE MATTER OF INVESTIGATION
INTO QWEST CORPORATION’S
COMPILANCE WITH CERTAIN WHOLESALE
PRICING REQUIREMENTS FOR UNBUNDLED
NETWORK ELEMENTS AND RESALE
DISCOUNTS

Docket No. T-00000-A-00-0194
PHASE II

DIRECT TESTIMONY OF
EDWARD J. CAPUTO
ON BEHALF OF WORLDCOM

MAY 16, 2001
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EXECUTIVE SUMMARY OF TESTIMONY OF EDWARD J. CAPUTO

Directory Assistance and Operator Services ("DA/OS") must be provided as UNEs unless Qwest provides customized routing. As a UNE, the pricing must be TELRIC or cost-based pursuant to Section 251(c)(3) of the Act. If Qwest does provide customized routing, it is still obligated to provide nondiscriminatory access to DA/OS pursuant to Section 251(b)(3).

Nondiscriminatory access means that it must offer DA/OS services at the same price it offers those services to others, including itself. A market-based pricing methodology, therefore, is inherently discriminatory.

DAL information, on the other hand, is still a UNE and must be provided at TELRIC-based prices. Even if the Commission decides the FCC has not extended UNE status to DAL, the Commission is free to determine otherwise under Section 251. Moreover, DAL is also subject to the nondiscriminatory access provisions of Section 251(b)(3) and the Commission should adopt a nondiscriminatory pricing methodology based on cost.

Qwest’s proposals and pricing regarding customized routing are too vague for Worldcom to comment upon except to the extent that they discriminate and impose unreasonable costs on other carriers. However, WorldCom would welcome an opportunity to discuss its routing needs with Qwest to determine whether its offerings would, indeed, be a viable option for WorldCom.

With regard to call related databases, Qwest is obligated to provide LIDB and ICNAM as UNEs at TELRIC-based prices. Worldcom also requests nondiscriminatory access to the ICNAM database on a bulk transfer basis. In addition, as UNEs, Qwest may not discriminate or impose use restrictions on these network elements through any alternate pricing schemes it may propose.
INTRODUCTION AND PROFESSIONAL EXPERIENCE

Q. Please state your name, title and business address.

A. My name is Edward J. Caputo. I am Director of Operator and Directory Services for WorldCom. My business address is 601 South 12th Street, Arlington, Virginia 22202.

Q. What is your educational background?

A. I attended the University of Maryland in College Park, Maryland, and earned a Bachelor of Science degree in Business Management. I am a candidate for a Master’s degree in Telecommunications Management at George Washington University in Washington, D.C.

Q. Would you please provide a brief description of your professional experience?

A. I have held management positions in the telecommunications field for the last 11 years. Prior to that, I held management positions in the Information Technology and Finance field. I have had management responsibilities at WorldCom and its predecessor entity, MCI, since 1990 in the area of Operator and Directory Services.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?
A. The purpose of this testimony is to support the position of WorldCom, Inc. ("WorldCom") with regard to Qwest’s pricing of customized routing, directory assistance and operator services ("DA/OS"), directory assistance listing ("DAL") databases, and call-related databases, specifically the line information database ("LIDB") and calling name database ("CNAM").

DA/OS SERVICES

Q. What are Qwest’s obligations with respect to DA/OS?

A. The FCC, in its UNE Remand Order¹, specified that where the incumbent carrier does not provide customized routing, it must continue to offer DA/OS as UNEs pursuant to 47 USC § 251(c)(3). UNE Remand Order at ¶ 462. To the extent that Qwest may provide customized routing, however, Qwest remains obligated to provide DA/OS under the principles of “dialing parity” which includes the duty to allow nondiscriminatory access to DA/OS pursuant to 47 USC § 251(b)(3). Id.

Q. Is Qwest’s proposed “market-based” pricing for DA/OS discriminatory?

A. Yes. Regardless of whether Qwest offers DA/OS as a UNE, at the very least, Qwest’s pricing for DA/OS must be nondiscriminatory. As the UNE Remand Order made clear, “competitive carriers who wish to obtain OS/DA from the incumbent may do so consistent with the incumbent LEC’s nondiscriminatory

¹ Third Report and Order and Fourth Further Notice of Proposed Rulemaking, CC Docket 96-98, FCC 99-238, released November 5, 1999 ("UNE Remand Order").
access obligations under Section 251(b)(3).” *UNE Remand Order*, at ¶ 455. See also, *DAL Provisioning Order* at ¶ 35, regarding a LEC’s obligation with regard nondiscriminatory access to its DA database.

"Nondiscriminatory" applies not only to what Qwest charges other carriers, but must also be relative to what Qwest charges itself. For example, even if Qwest were to overcharge every carrier, while its prices may be nondiscriminatory with respect to those other carriers, the prices would discriminate between Qwest and all other carriers. In its *Local Competition Third Report & Order*, the FCC stated that, "Because an incumbent LEC would have the incentive to discriminate against competitors by providing them with less favorable terms and conditions that it provides to itself, we conclude that the term “nondiscriminatory”, as used throughout section 251, applies to the terms and conditions an incumbent LEC imposes on third parties as well as on itself."3

Because Section 251(b)(3) mandates nondiscriminatory access between all competitive providers, however, and especially because Qwest is the incumbent carrier, Qwest must provide DA/OS services at the same price it provides these services to itself. The only way to determine what price Qwest provides DA/OS

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to itself, is for Qwest to provide a cost study in this proceeding, which it has not
done.

Market-based prices are inherently discriminatory to competitive
providers who have not had the advantage or have enjoyed the economic and
market-based benefits of an entrenched incumbent as Qwest has. Consequently,
such a market-based methodology has no basis being considered in this
proceeding. Moreover, Qwest provides no evidence that the prices it proposes are
grounded in the market or are market-based in any way. If the nondiscriminatory
access requirement of Section 251(b)(3) is to be adhered to, the Commission must
cconsider the costs based on a cost study and a market-based methodology must be
rej ected.

The FCC’s UNE Remand Order, clearly stated, however, that although
DA/OS may not be considered a UNE where customized routing is provided,
Section 251(b)(3) will continue to obligate all carriers to provide
nondiscriminatory access to DA/OS services. See, UNE Remand Order, at ¶ 464.

Because Section 251(b)(3) mandates nondiscriminatory access as between all
providers, however, and especially because Qwest is the incumbent carrier, Qwest
must provide DA/OS services to Worldcom and other CLECs at the same price it
provides these services to itself.
Qwest’s testimony on this issue ignores the simple fact that the
nondiscriminatory principles of dialing parity under Section 251(b)(3) of the Act
must be applied to OS/DA services even where those services may be no longer
unbundled.

CUSTOMIZED ROUTING

Q. What is Worldcom’s position with respect to Qwest’s customized
routing?

A. Qwest must provide customized routing to WorldCom in a manner consistent
with WorldCom’s requirements and as prescribed by the FCC in its UNE Remand
Order. Until Qwest meets these obligations, it must provide DA/OS to
WorldCom and others as a UNE under Section 251(c)(3) of the Act at TELRIC
rates. It is Worldcom’s understanding, from language in the UNE Remand Order,
that Qwest’s obligation extends to all carriers and that this routing scheme must,
in fact, be customized for each requesting carrier.

Qwest has indicated in the Direct Testimony of Barbara J. Brohl, at page
15, that it may in fact meet WorldCom’s and other carrier’s needs for customized
routing. Despite the description in its testimony, however, WorldCom needs to
meet with Qwest’s switch engineering organization to document WorldCom’s
needs. Worldcom has developed an engineering proposal using existing local
switch features and functionality which meets its customized routing needs.
WorldCom can provide Qwest with documentation that specifies WorldCom’s customized routing requirements. If Qwest can meet WorldCom’s customized routing needs, WorldCom should be able to request such routing at any time during the term of its interconnection agreement.

Q. What about Qwest’s proposed pricing for customized routing?

A. Qwest does not propose an actual price for any of the three categories of charges it identifies under the customized routing category, but rather lists “ICE” or “individual case basis” as the appropriate amount. Based on the rate proposal introduced in this proceeding, however, it is impossible to determine whether Qwest’s rates for customized routing are necessary, reasonable and nondiscriminatory. For example, Qwest’s nonrecurring charge for “all other custom routing” is too vague and not defined especially to the extent that it would be levied on an individual customer basis. WorldCom requests that the Commission reject Qwest’s attempt to levy charges in this area unless and until Qwest performs a valid cost study and until Qwest provides evidence that it has not already recovered such costs.

Moreover, Worldcom objects to Qwest’s proposed pricing to the extent that such costs reflect Qwest’s individual development costs to implement such a customized routing scheme as between all carriers. Consistent with Section 251(b)(3) and Section 251(c)(3) requirements, Worldcom believes that CLEC’s should only be required to pay for routine implementation costs of customized...
routing. To require otherwise would be both unreasonable and discriminatory.

Since the FCC has determined that the provision of customized routing is a condition precedent to the elimination of Qwest's duty to provide OS/DA services as a UNE under Section 251(c)(3), CLECs should then not be penalized if Qwest implements a high cost customized routing solution. If Qwest is allowed to simply push off the costs of developing a solution onto each individual competitive carrier, that carrier is not only burdened by the fact that it can no longer obtain DA/OS services at UNE rates, but then must bear the costs of developing a customized routing solution. Such a result is patently discriminatory not only to competitive carriers as a whole, but would allow Qwest to discriminate against carriers individually based upon their individual customized routing needs.

WorldCom also objects to Qwest's customized routing charges to the extent that it might force WorldCom to pay for switching services for which it already pays Qwest either on a facilities-based or UNE-P basis. Despite the fact that Qwest lists three separate categories of charges, Qwest does not provide enough detail to determine what substantive work is required to justify those charges.

**DAL DATABASE**

Q. How are DA/OS services different from DAL database information?
A. DAL information is the underlying customer listing information that constitutes the directory assistance database. DA/OS is a service or services related to assisting callers in finding a customer’s listing or in completing a call. The two are not the same network elements. Although the FCC’s *UNE Remand Order* reclassified DA/OS services as a UNE only in the absence of customized routing, the FCC identified DAL database as a call-related database.

Q. Is the database a UNE?

A. Yes, the DAL database is a UNE. The FCC identified directory assistance databases as call-related databases under the heading, “ELEMENTS THAT MUST BE UNBUNDLED” in its Executive Summary of the UNE Remand Order. See, *UNE Remand Order*, Executive Summary, ¶ 15. Although the FCC decided in its *UNE Remand Order* that DA/OS services were no longer UNEs, the Order did not specifically find that the DAL database itself was no longer a UNE. Although, the FCC did make clear that nondiscriminatory access is required for the DAL database under dialing parity as between all carriers, it is Worldcom’s position that the FCC did not change the ILEC’s responsibilities with regard to making the DAL database available as a UNE.

Furthermore, even if the DAL database is no longer considered a UNE by the FCC, there is nothing to prevent the State of Arizona from declaring it as such under Section 251 of the Act. The factors cited by the FCC in the UNE Remand
Order concerning the necessary and impair standard with respect to DA/OS services are not necessarily applicable with respect to the DAL database.

For example, although the FCC cited competition in the DA/OS services industry for the provision of DA/OS services, the fact that the ILEC remains the only reliable source for DAL information means that without such data from the incumbent, Worldcom is put at a direct competitive disadvantage. Because Qwest remains the largest presence in the local market by virtue of its incumbency and gleans its DAL information directly from the customer service order process, it alone has direct access to the most accurate and comprehensive DAL database in the market. Accordingly, Qwest should offer nondiscriminatory prices at TELRIC-based prices to other carriers.

Q. Is DAL pricing also subject to the nondiscriminatory requirements of Dialing Parity?

A. Yes. For the same reasons described earlier with regard to DA/OS, DAL is also subject to the Act's nondiscriminatory provisions regarding dialing parity pursuant to Section 251(b)(3) of the Act. This obligation is in addition to an ILEC's obligation to provide DAL as a UNE, as ALL CARRIERS are required to allow nondiscriminatory access to DAL pursuant to dialing parity.

In the FCC's recent DAL Provisioning Order, the FCC recognized that LECs continue to charge competing DA providers like WorldCom, discriminatory and unreasonable rates for DAL. Although it declined to adopt a specific pricing
structure for DAL, it encouraged states to set their own rates consistent with the nondiscriminatory and reasonable requirements of dialing parity. In doing so, the FCC specifically recognized that state imposed rates based on cost-based models utilizing valid cost studies were consistent with dialing parity. The Commission specifically cited a decision of the New York PSC that analyzed cost studies from the ILEC and other LECs to arrive at a cost-based price model for the nondiscriminatory provision of directory assistance. *DAL Provisioning Order* at ¶38, footnote 99.

Q. **What should the Commission use to determine pricing for DAL?**

A. Despite the fact that DAL is a UNE and should be made available at TELRIC, the Commission should also consider the nondiscriminatory access provisions of Section 251(b)(3) of the Act and the fact that meaningful competition must be ensured. An analysis under these two principles will produce a similar cost-based result consistent with the Act.

1. As discussed earlier with regard to DA/OS, Qwest’s prices must not only reflect what it charges other carriers, but nondiscriminatory pricing must also be relative to what Qwest charges itself. Because Qwest is the competing incumbent carrier controlling access to the only meaningful DAL data, Qwest should not be allowed to discriminate against those carriers with whom it competes. Therefore, those prices, or costs, which Qwest incurs in acquiring
DAL should be the guiding factor with respect to rates others should pay for the data.

2. The Commission should ensure meaningful competition in the DA marketplace exists, and new and innovative DA services are fostered. These principles are the foundation upon which the Act itself was enacted.

There is no basis for imposing a “market rate” of 2.5 cents per initial listing and for each update. If a true market were to exist, then the rates would drive toward the cost of the data, which is clearly 3000 times less than Qwest’s price. Such inflated prices threaten to barricade any meaningful competition in the market place and have the potential to cause competitors to drop out of the market where there would exist no incentive for further innovation.

There have been two publicly available cost studies that WorldCom is aware of that address the cost of providing the DAL Database that have set rates in the range of $0.001 to approximately $0.005. Perhaps most relevant is a cost study that was performed by Southwestern Bell Telephone Company (“SWBT”) in Texas. That cost study indicated that the cost as found by SWBT in Texas was 0.001 cents per listing and a similar price per update. The State of Texas, therefore, required SWBT to provision DAL at those rates and to permit all carriers to use them for both local and interstate purposes. See, Texas 1998-2000, Directory Assistance Listing Cost Study, Total Element Long Run Incremental
Cost Study, Form 2; cited in, MCI Texas Arbitration Award, Docket 19075, at pages 12-14, 1998.

In a second complete look at this issue, the State of New York also found that DAL should be provided at cost. See, New York Verizon Tariff #916, issued pursuant to NYPSC order No. 98-C-1 357 (February 8, 2000); cited in the DAL Provisioning Order at fn. 99. This was the cost-study the FCC pointed to when it encouraged states to set their own rates. In that order, the NYPSC analyzed cost studies provided by Bell Atlantic, INFONXX, and Frontier to arrive at a cost-based price model for the nondiscriminatory provision of DAL. Under the New York scheme, WorldCom’s DAL pricing is computed as follows: Initial full extract via electronic file transfer, non-recurring is $13,464. Daily updates, $3,637 per month. Stated on a per record basis, this would equate to a full initial transfer of $0.0014 per listing and daily updates monthly rate of $0.0051 per listing based on a base file of 9,900,000 listings and an average monthly update of 713,000 records.

Q. What is the price WorldCom charges QWEST for listings it provides to Qwest?
A. WorldCom does not charge any ILEC for the listings it provides to carriers at the present time.

Q. Please discuss Qwest’s transport fee.
A. WorldCom objects to Qwest’s insertion of a transport fee of $0.001 per listing. WorldCom has already expended financial and capital resources to build and maintain its own electronic system for receiving DAL information from Qwest known as NDM or “network data mover”. Asking WorldCom to pay Qwest to transport the data over WorldCom’s own facilities would be asking WorldCom to pay twice for transport and would unjustly enrich Qwest in this regard.

CALL-RELATED DATABASES (LIDB and ICNAM)

Q. Are Qwest’s proposed charges for LIDB and CNAM reasonable?
A. The FCC has identified LIDB and CNAM (what Qwest identifies as “ICNAM”) as call-related databases. As such, these call-related databases are UNEs and must be made available on a TELRIC or cost-basis. Qwest, however, has identified most of these to be priced on an individual case basis that would allow it to negotiate different prices for access to these services.

In addition to TELRIC pricing, however, as UNEs under Section 251(c)(3) of the Act, access to these elements must be on a nondiscriminatory basis, without use restrictions pursuant to Section 251(c)(3) of the Act. To the extent that individual case basis pricing reflects Qwest’s desire to discriminate between carriers or force carriers to use these databases for only one type of service (e.g. “local-only” service), WorldCom objects to Qwest’s proposal.

Q. How does Qwest describe the ICNAM service?
A. Qwest states that the ICNAM service allows CLECs to query Qwest's ICNAM database in order to secure the listed name information associated with the requested telephone number in order to deliver that information to the CLEC's end users. Qwest states that recurring charges for ICNAM are billed on a per query basis and a nonrecurring charge (CCSAC Options Activation Charge) will apply for a CLEC to activate ICNAM Database Query Service.

Q. As a matter of policy, should the Commission require Qwest to allow WorldCom full access to the Qwest ICNAM database?

A. Yes. CLECs should be able to obtain the entire contents of the CNAM database, rather than being restricted to access on a per dip basis. Just as in the case of Directory Assistance Data, offering the CNAM database in such a format is technically feasible and would allow access in the same manner used by Qwest. On the other hand, limiting access to a per-query or "dip" basis discriminates against WorldCom and other CLECs by giving Qwest an unfair advantage. It prevents CLECs from controlling the service quality and management of the database and restricts WorldCom's ability to offer other service offering that would enable it to compete effectively with Qwest in the provision of this UNE.

Q. Can you further explain why WorldCom should have access to the entire database?
1 A. Yes. This alternative should be made available for several reasons. First, CLECs who operate their own CNAM database are not restricted to the exact same service and process methods as offered or used by Qwest, thus allowing the potential for development of innovative services. Second, for some CLECs, the cost of obtaining the full contents of the database (as an UNE at TELRIC prices) and maintaining their own database may be more economical than requiring them to pay Qwest on a per-dip basis for every query. The Qwest proposed rate sets this price at just over $.002 per dip. Providing the alternative of bulk data provides potential cost savings to CLECs. Finally, a CLEC that operates such a database to support services for its own end users may also develop the capability to offer CNAM database service to other carriers. This situation would have similar public policy benefits to those provided by resale requirements.

Q. Are there other efficiencies that result from WorldCom having access to the entire database?

A. Yes. ICNAM allows the called customer premises equipment, connected to a switching system via a conventional line, to receive a calling party's name and the date and time of the call during the first silent interval in the ringing cycle. This is a very limited time frame within which to determine the name associated with the calling number. As the call reaches the terminating switch and a Caller ID
request is made, the request must route through the network to reach
the database holding the "name" information. WorldCom must first
determine which LEC owns the number, then route the call out to
that LEC and back to make the "dip". If the LEC does not have the
name, then exception-handling procedures must be used to find the
name and the result is finally returned to the called party. The time it
takes to route the number request to the correct LEC's database to
make the dip, return the request, and provide exception handling
when the number is not found in the database cannot always be
completed within the short ring cycle required. If, however,
WorldCom maintains its own database, via global access to Qwest's
database, a lengthy step of the process could be eliminated, allowing
WorldCom to provide service at least as good as Qwest provides for
itself. Further, requiring WorldCom to "dip" Qwest's database rather
than access its own CNAM database also forces WorldCom to incur
development costs associated with creating a complex routing
scheme within its network. Since Qwest already has its own
database, it does not incur the same costs associated with
implementing and maintaining a routing scheme. Thus, by enjoying
superior access to its CNAM data - data that cannot be accessed or
used anywhere else except on a per query basis - Qwest limits
WorldCom to an inferior service that it can provide more efficiently,
quickly, and cheaply. For these reasons, WorldCom should have full
access to Qwest's database; anything less is discriminatory.

Q. Have any states ordered that CLEC should have access to an entire ICNAM
database rather than be restricted to access of a per-query basis?
A. Yes. The Michigan PSC ordered Ameritech Michigan to allow full access to the
calling name database rather than being restricted to access on a per-dip basis.

Q. Please summarize WorldCom's position.
A. DA/OS services must be provided as UNEs unless Qwest provides customized
routing. As a UNE, the pricing must be TELRIC or cost-based pursuant to
Section 251(c)(3) of the Act. If Qwest does provide customized routing, it is still
obligated to provide nondiscriminatory access to DA/OS pursuant to Section
251(b)(3). Nondiscriminatory access means that it must offer DA/OS services at
the same price it offers those services to others, including itself. A market-based
pricing methodology, therefore, is inherently discriminatory.

DAL information, on the other hand, is still a UNE and must be provided
at TELRIC-based prices. Even if the FCC were to find DAL was not a UNE, it is
still subject to the nondiscriminatory access provisions of Section 251(b)(3) and
the Commission should adopt a nondiscriminatory pricing methodology based on cost.

Qwest's proposals and pricing regarding customized routing are too vague for Worldcom to comment upon. WorldCom would welcome an opportunity to discuss its routing needs with Qwest to determine whether Qwest's offerings would, indeed, be a viable option for WorldCom.

With regard to call related databases, Qwest is obligated to provide LIDB and ICNAM as UNEs at TELRIC-based prices. Worldcom also requests nondiscriminatory access to the ICNAM database on a bulk transfer basis. In addition, as UNEs, Qwest may not discriminate or impose use restrictions on these network elements through any alternate pricing schemes it may propose.

Q. Does this conclude your testimony?

A. Yes, it does.