

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

---

**IN THE MATTER OF THE PETITION OF )  
DIECA COMMUNICATIONS, INC., D/B/A )  
COVAD COMMUNICATIONS COMPANY, )  
FOR ARBITRATION TO RESOLVE )  
ISSUES RELATING TO AN )  
INTERCONNECTION AGREEMENT )  
WITH QWEST CORPORATION )**

---

**DOCKET NO. 04-2277-02**

**QWEST CORPORATION**

**REBUTTAL TESTIMONY OF WILLIAM R. EASTON**

**PAYMENT ISSUES**

**(Disputed Issue Nos. 10-1, 10-2, and 10-3)**

**NOVEMBER 12, 2004**

**(NON-CONFIDENTIAL VERSION)**



**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>I. IDENTIFICATION OF WITNESS .....</b>	<b>1</b>
<b>II. PURPOSE OF TESTIMONY .....</b>	<b>1</b>
<b>III. RESPONSE TO COVAD'S PAYMENT ISSUE TESTIMONY .....</b>	<b>2</b>
<b>IV. SUMMARY/CONCLUSION.....</b>	<b>27</b>

1

**I. IDENTIFICATION OF WITNESS**

2

**Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3

4

A. My name is William R. Easton. My business address is 1600 7th Avenue, Seattle Washington. I am employed as Director – Wholesale Advocacy. I am testifying on behalf of Qwest Corporation ("Qwest").

5

6

7

**Q. ARE YOU THE SAME WILLIAM EASTON WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?**

8

9

A. Yes.

10

**II. PURPOSE OF TESTIMONY**

11

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

12

A. The purpose of my testimony is to respond to the direct testimony of Megan Doberneck relating to payment for services and the amount of time that Qwest must wait before Qwest may discontinue taking orders or may disconnect services due to Covad's non-payment for services. These are Disputed Issues 10-1 (Due

13

14

15

1 Dates for Amounts Payable), 10-2 (Timing for Discontinuing Orders), and 10-3  
2 (Timing for Disconnecting Services) in this arbitration proceeding.<sup>1</sup>

3 **III. RESPONSE TO COVAD'S PAYMENT ISSUE TESTIMONY**

4 **Q. ON PAGE 27<sup>2</sup> OF HER TESTIMONY, MS. DOBERNECK REVISES**  
5 **COVAD'S POSITION ON PAYMENT ISSUES. DOES QWEST AGREE**  
6 **WITH THIS NEW POSITION?**

7 A. No. Covad's revised position is still out of line with industry practice, the  
8 payment terms followed by all other CLECs in Utah, the consensus language that  
9 was agreed to during the 271 process and the language that appears in Qwest's  
10 Utah SGAT. Furthermore, in the case of the revised payment due date language,  
11 the new proposal is unworkable from a systems and administrative standpoint.  
12 Covad is now proposing that some bills have a 45 day due date, and others a 30  
13 day due date, depending on whether certain items appear on the bill. To  
14 implement the necessary system changes would not only be a major effort but  
15 would require billing system logic different from that used by all other Qwest  
16 CLEC customers.

---

<sup>1</sup> Although Ms. Doberneck's direct testimony identifies payment issues as Issue 9, Covad's Petition for Arbitration identifies them as Issue 10, which is the way I identified them in my direct testimony and the way I identify them here.

<sup>2</sup> All page number references are to the non-confidential version Ms. Doberneck's testimony.

1 Even more problematic from a systems standpoint than treating different items on  
2 the same bill differently, is Covad's request that new products be treated  
3 differently for twelve months, then revert back to the 30 day payment period used  
4 for previously ordered products. This means that the billing systems must have  
5 the capability of determining when a CLEC orders a new product, the capability  
6 to treat bills with new services on them differently and the capability to turn off  
7 the exception treatment at the end of 12 months. The Covad language also begs  
8 the question of what constitutes a new product. If a CLEC had been ordering 2  
9 wire loaded loops and at some point in the future ordered a 2 wire unloaded loop,  
10 would this be considered a new product even though there is no difference from a  
11 bill presentation and billing validation perspective?

12 Covad's revised position on this issue is particularly surprising in light of Ms.  
13 Doberneck's testimony before the Colorado Public Utilities Commission. When  
14 Ms. Doberneck was asked by the Administrative Law Judge in Colorado about  
15 limiting the 45 day payment period to specific products as opposed to all  
16 products, she responded that exceptions for certain items would be difficult for  
17 Covad, stating, "It is extraordinarily difficult, as a business to create exception to  
18 the rule, rather than having a standardized relationship across the board."<sup>3</sup> The

---

<sup>3</sup> *In the Matter of Petition of Qwest Corporation for Arbitration of an Interconnection Agreement With Covad Communications Company Pursuant to 47 U.S.C 252(b)*, Docket No. 04B-160T. (Public Utilities Commission of the State of Colorado) Transcript at p. 111.

1 new Covad proposal would place that extraordinary difficulty on both Qwest's  
2 and Covad's shoulders.

3 **Q. MS. DOBERNECK ARGUES AT PAGE 30 OF HER DIRECT**  
4 **TESTIMONY THAT PAYING BILLS IN FULL AND DEALING WITH**  
5 **DISPUTED AMOUNTS LATER IS NOT ACCEPTABLE TO COVAD.**  
6 **PLEASE COMMENT.**

7 A. Ms. Doberneck cites two related reasons why such an approach is unacceptable to  
8 Covad: concerns about cash flow and the loss of interest on the disputed amounts  
9 that Qwest "never should have received in the first place." With regard to the first  
10 point, Qwest too has concerns about cash flow. While extending the time within  
11 which Covad must pay undisputed bills for services rendered may help Covad's  
12 cash flow, this extension would be done to the detriment of Qwest and Qwest's  
13 cash flow. During the 271 process, the 30 day period was agreed to by CLECs  
14 (including Covad) and Qwest as a period that balances all of the interests and  
15 concerns, including cash flow concerns, of both the billed and the billing parties.

16 Ms. Doberneck's concern about losing the benefit of interest on disputed amounts  
17 and her assertion that Qwest would benefit unfairly by accruing interest on  
18 amounts it "never should have received in the first place," ignores the fact that  
19 Section 5.4.4.2 of the interconnection agreement (which the parties agree upon)  
20 provides that if Covad pays a disputed amount and the dispute is resolved in the

1 favor of Covad, Covad is reimbursed both the disputed amount and any associated  
2 interest. Ms. Doberneck does not provide any support for her assertion that  
3 Qwest would unfairly benefit from accruing interest on disputed amounts. As  
4 Section 5.4.4.2 makes clear, Ms. Doberneck's assertion is misplaced:

5 5.4.4.2 If a Party pays the charges disputed at the time of payment  
6 or at any time thereafter pursuant to Section 5.4.4.3, and the  
7 dispute is resolved in favor of the disputing Party the Billing Party  
8 shall, no later than the second Bill Date after the resolution of the  
9 dispute: *(1) credit the disputing Party's bill for the disputed*  
10 *amount and any associated interest* or (2) pay the remaining  
11 amount to CLEC, if the disputed amount is greater than the bill to  
12 be credited. The interest calculated on the disputed amounts will  
13 be the same rate as late payment charges. In no event, however,  
14 shall any late payment charges be assessed on any previously  
15 assessed late payment charges. [Emphasis added.]

16 **Q. WOULD COVAD LOSE ANY LEVERAGE IT MAY HAVE BY SIMPLY**  
17 **PAYING THE BILL?**

18 A. No. There is language in the interconnection agreement, such as the section just  
19 cited, which addresses the handling of billing disputes. In addition, Section 5.18  
20 sets forth the formal dispute resolution process available when disputes cannot be  
21 resolved in the regular course of business. Ultimately, should Covad take issue  
22 with the resolution of a dispute, it has the ability to bring a formal complaint to  
23 the Commission.

24 **Q. ON PAGES 31-33 OF HER TESTIMONY MS. DOBERNECK DESCRIBES**  
25 **THE PROCESS OF ANALYZING BILLS AND ASSERTS THE TASK IS**  
26 **NOT "EASY." IS THIS A REASON TO EXTEND THE PAYMENT DUE**



1           **DATE THAT CLECS, INCLUDING COVAD, PREVIOUSLY AGREED**  
2           **WAS APPROPRIATE?**

3       A.    No. The bill review complexities that Ms. Doberneck describes existed in 2001 at  
4           the time of the 271 workshops, where Qwest, Covad and other CLECs reached  
5           the consensus billing and collection language that Qwest is proposing for the  
6           parties' interconnection agreement. At the time of the 271 workshops Covad  
7           already had two years of experience with the Qwest billing process and systems,  
8           having entered into an interconnection agreement with Qwest in 1999. Further,  
9           since the 271 workshops, Covad has acquired additional experience with the  
10          Qwest billing process and systems and Ms. Doberneck has acknowledged in  
11          testimony in other proceedings that Qwest has made changes and corrections to its  
12          systems. As I discuss below, to the extent that Covad now claims that it is  
13          experiencing difficulties with Qwest's billing processes or systems, these claims  
14          belong in another forum and are no reason to extend the 30 day payment due date  
15          which was agreed upon with the CLEC community and which is the same due  
16          date under which Covad and Qwest have been operating since early 1999.

17       **Q.    MS. DOBERNECK ARGUES AT PAGE 53 OF HER TESTIMONY THAT**  
18       **THE 30 DAY INDUSTRY PAYMENT STANDARD REALLY RELATES**  
19       **TO ACCESS PRODUCTS WHERE THERE ARE INDUSTRY**  
20       **STANDARDS FOR BILLING FORMATS AND THAT THIS SAME**

1           **STANDARD SHOULD NOT APPLY TO THE WHOLESALE PRODUCTS**

2           **WE ARE CONCERNED WITH HERE. DO YOU AGREE?**

3    A.    No. Ms. Doberneck's argument ignores the fact that, as a part of the 271 approval  
4           process, an extensive review of Qwest's wholesale billing processes was  
5           conducted and, based upon this review, the FCC concluded that Qwest's processes  
6           satisfied its checklist requirements. Ms Doberneck suggests that 30 days is an  
7           acceptable timeframe for access services billing since access services are long-  
8           established products. [p. 53] However, even in 1984, when access service billing  
9           was brand new, and both the billing companies and the recipient companies were  
10          dealing with brand new systems and processes to deal with the new services, 30  
11          days was still an acceptable timeframe. Attached as Exhibit WRE-1 is a page  
12          from Pacific Northwest Bell's 1/1/84 FCC Access tariff which specifies that bills  
13          "are due 31 days (payment date) after the bill day or by the next bill date (i.e.,  
14          same date in the following month as the bill date) whichever is the shortest  
15          interval ...." Thirty days should be acceptable here too.

16   **Q.    ON PAGE 31 OF HER TESTIMONY MS. DOBERNECK MAKES MUCH**  
17           **OF THE FACT THAT COVAD RECEIVES BOXES OF UNE BILLS AND**  
18           **THAT THE NON-RECURRING PORTION OF COLLOCATION**  
19           **BILLING IS NOT AVAILABLE ELECTRONICALLY. WHAT PORTION**  
20           **OF QWEST'S BILLING TO COVAD IS DONE ELECTRONICALLY?**

1 A. The reality is that approximately **CONFIDENTIAL: \_\_\_\_\_** of the billing is done  
2 electronically. In the case of UNE/Resale services, though a paper bill is  
3 provided, Covad receives electronic files for the UNE/Resale bills which provide  
4 it with the information that it needs to analyze and review the bills. The only  
5 other paper bill Covad is currently receiving is out of the BART system for one-  
6 time/non-recurring charges related to collocation. This represents approximately  
7 **CONFIDENTIAL: \_\_\_\_\_** of Covad's monthly billed amounts and consists of  
8 approximately **CONFIDENTIAL: \_\_\_\_\_** pages of billing in total, for *all* the Qwest  
9 states in which it operates.

10 **Q. HOW MUCH OF THE BILLING TO COVAD FOR THE STATE OF**  
11 **UTAH IS PAPER ONLY?**

12 A. In all of 2004 year to date, Covad has received only **CONFIDENTIAL: \_\_\_\_\_** pages  
13 worth of non-recurring collocation bills from Qwest for the state of Utah. Prior to  
14 October, they had received only **CONFIDENTIAL: \_\_\_\_\_** pages worth.

15 **Q. DOES MS. DOBERNECK EXPLAIN WHY COVAD BELIEVES IT**  
16 **CANNOT REVIEW **CONFIDENTIAL: \_\_\_\_\_** PAGES OF PAPER BILLS**  
17 **WITHIN 30 DAYS?**

18 A. No. While Ms. Doberneck points out that "the entire non-recurring bill process is  
19 manual," she does not disclose that the bill at issue is approximately  
20 **CONFIDENTIAL: \_\_\_\_\_** pages total for all states, nor does she explain why a

1 properly trained and staffed accounting group cannot review **CONFIDENTIAL:**  
2 **\_\_\_\_\_** pages of bills within 30 days. In fact, nowhere in Ms. Doberneck's testimony  
3 does she ever explain how much time the bill validation process takes on Covad's  
4 part, for paper or electronic bill. She talks about Covad needing 45 days for bill  
5 validation, but never explains how she arrived at this number. Given that Covad's  
6 proposal is out of step with industry practices, some support for the 45 day figure  
7 should be offered.

8 **Q. WOULD CHANGING THE DEADLINE FOR PAYING THE BILL TO 45**  
9 **DAYS ALLEVIATE THE BILLING PROCESS PROBLEMS COVAD**  
10 **ALLEGES?**

11 A. No. From a process perspective, Qwest would continue to issue bills on a  
12 monthly cycle to Covad. Taking 45 days to verify one month's bill, when the next  
13 month's bill will be arriving in 30 days, would serve only to put the bill  
14 verification process out of synch with the bill payment process. Indeed, under the  
15 process proposed by Covad, (whereby Covad will take 45 days to validate a bill),  
16 when a new bill is generated every 30 days, Covad would soon be months behind  
17 in its bill validation.

18 **Q. MS. DOBERNECK RAISES CONCERNS ABOUT THE FORMAT OF**  
19 **THE QWEST BILLS ON PAGES 33-35 OF HER DIRECT TESTIMONY.**

1           **IS THIS INTERCONNECTION AGREEMENT ARBITRATION THE**  
2           **PROPER PLACE IN WHICH TO ADDRESS THESE CONCERNS?**

3           A.    No.  As a part of the 271 process, CLECs and Qwest agreed to an ongoing  
4           Change Management Process (CMP), designed to address process and system  
5           issues, including the type of issue raised by Ms. Doberneck here.  Ms.  
6           Albersheim’s testimony will address issues Ms. Doberneck’s raises regarding the  
7           CMP process and explain how the process handles process and systems changes.

8           **Q.    ON PAGE 33 OF HER TESTIMONY MS. DOBERNECK ARGUES THAT**  
9           **BILL ANALYSIS IS COMPLICATED BY THE FACT THAT QWEST**  
10           **FAILS TO PROVIDE CIRCUIT ID INFORMATION ON BILLS FOR**  
11           **UNES. PLEASE COMMENT.**

12          A.    Ms. Doberneck’s testimony states that “a number of times” Qwest bills fail to  
13          provide circuit identifications, implying that this is a random occurrence.  That is  
14          not the case.  The circuit identification field is provided on bills when the circuit  
15          ID is the relevant identifier for a particular charge.  Bills for Unbundled Loops,  
16          Private Lines and similar circuits do contain the circuit ID.  In the case of line  
17          sharing, however, the service is not circuit based.  As a result, the circuit ID is not  
18          used as the identification number.  Instead, Qwest assigns a unique identification  
19          number to the loop over which Covad is providing line sharing.  (Ms. Doberneck  
20          apparently refers to this unique identification as the “BTN”).  Ms. Albersheim’s  
21          testimony, which discusses the technical aspect of this issue, explains in detail

1 that Qwest provides this unique identification number to Covad as a part of the  
2 Firm Order Confirmation (FOC) that is issued in the service provisioning process,  
3 just as circuit IDs are provided via the FOC for those products that are circuit  
4 based. As Ms. Albersheim explains, this unique identification number provides  
5 Covad with a direct and efficient means of verifying that the service for which  
6 Covad has been billed is the service that Covad ordered. This identification  
7 number is also a part of the Customer Service Record (CSR) that Covad may  
8 readily access electronically. This process for billing line sharing, its rationale,  
9 and the ready means by which line sharing bills may be validated, have been  
10 explained numerous times to Covad by Qwest billing personnel.

11 **Q. HAS COVAD RAISED THIS CIRCUIT IDENTIFICATION ISSUE IN THE**  
12 **CMP PROCESS?**

13 A. Covad did not raise this as a billing issue in CMP until October of this year,  
14 despite the fact that CMP is the proper forum to address this type of issue.

15 **Q. MS. DOBERNECK STATES THAT IN THE ABSENCE OF A CIRCUIT ID**  
16 **NUMBER, COVAD IS “UTTERLY UNABLE” TO CONFIRM WHETHER**  
17 **QWEST IS BILLING COVAD FOR A LOOP IT HAS ORDERED.**  
18 **PLEASE COMMENT.**

19 A. Ms. Doberneck’s claim is false. As I just discussed, Qwest does provide Covad  
20 with information that allows it to track line sharing orders and validate line

1 sharing bills. Covad is unwilling to modify its systems to utilize this information  
2 and instead asks that it be treated differently than all other CLECs in the states,  
3 requiring Qwest to modify its systems and allow payment terms different than  
4 those followed by everyone else.

5 **Q. MS. DOBERNECK STATES THAT THE LACK OF CIRCUIT ID IS**  
6 **ONLY AN ISSUE WITH QWEST AND THAT QWEST IS OUT OF STEP**  
7 **WITH OTHER ILECS. PLEASE COMMENT.**

8 A. It should be noted that Qwest was the first ILEC in the country to implement line  
9 sharing. At the CLECs request, Qwest designed line sharing using the non-design  
10 provisioning flow process, a process which does not associate circuit ids with the  
11 services. I cannot speak to what other ILECs may do, but I do know that other  
12 CLECs in the Qwest region have been able to work with Qwest line sharing bills.  
13 Apparently they have developed systems so that they can adequately track orders  
14 and validate billing using the information provided by Qwest. Ms. Albersheim's  
15 testimony will discuss this issue in further detail.

16 **Q. TO HELP PUT THIS ISSUE IN PERSPECTIVE, WHAT ARE THE**  
17 **MONTHLY RECURRING CHARGES FOR A LINE SHARE LINE IN**  
18 **THE STATE OF UTAH?**

19 A. Including the charges for the required channel terminations and the line share line,  
20 the recurring amount per line is 72 cents.

1 **Q. MS. DOBERNECK ALSO STATES ON PAGE 39 OF HER TESTIMONY**  
2 **THAT “A NUMBER OF TIMES” USOCS ARE NOT PROVIDED. IS THE**  
3 **LACK OF USOCS A COMMON OCCURRENCE?**

4 A. No. Qwest routinely and regularly provides USOCS on bills for all recurring  
5 charges and for many non-recurring/fractional charges. These charges make up  
6 the vast majority of Covad’s bills. Ms. Doberneck correctly points out that there  
7 are some instances where non-recurring USOCS do not appear on Qwest’s bills.  
8 These instances are the result of a needed system change in the Western CRIS  
9 billing system which will be corrected in a forthcoming release. Since Utah is in  
10 Qwest’s Central region, it is not affected by this issue. 100% of USOCS are  
11 provided on Covad’s bills in Utah.

12 However, contrary to Ms. Doberneck’s assertions, this lack of USOCS does not  
13 complicate bill validation significantly. First, Qwest provides a description of the  
14 charge on the bill even when the USOC is not provided. Thus, Covad knows  
15 whether the non-recurring charges being billed is for a “ONE TIME CHARGE  
16 FOR INSTALLATION/CHANGE” or a “BASIC INSTALLATION ON  
17 ADDITIONAL LOOPS” or a “CHARGE FOR REPAIR VISIT WHEN NO  
18 TROUBLE IS FOUND IN TELCO EQUIPMENT” (all actual quotes from recent  
19 ASCII-formatted wholesale bills) from the clear description Qwest provides. This  
20 description facilitates bill validation.



1 Second, since the number of applicable non-recurring USOCs is relatively  
2 limited, it is not burdensome to validate the charged amounts to expectations in  
3 those limited instances where the USOCs are missing. For example, for Covad's  
4 two-wire unbundled loop today, there are only eight installation USOCs  
5 applicable. In addition, there is a single USOC for the Network Interface Device's  
6 installation, and a single USOC for an order charge. It is not onerous to account  
7 for ten installation USOCs—even manually. These ten USOCs would account for  
8 the vast majority of Covad's unbundled loop installation charges. Even including  
9 the very rarely-used USOCs for Design Layout Reports (three USOCs) and  
10 excess labor charges (ten USOCs), the task is still quite manageable. Outside of  
11 the installation process, Maintenance and Repair charges (the other category of  
12 non-recurring charges) involve a similarly small and manageable number of  
13 USOCs. Third, bill validation does not necessarily require USOC data at all. The  
14 entire purpose of bill validation is to determine whether or not charges match  
15 what is expected, and if not, to determine why not. So, to do thorough bill  
16 validation, Covad must compare the amounts billed for any given service to the  
17 expectation. If those amounts match, as they should the vast majority of the time,  
18 no further investigation is required. Thus, the lower level of data is simply not  
19 required the vast majority of the time using this approach to bill validation.

1 To conclude, this is not an issue that affects Utah billing, should not meaningfully  
2 inhibit Covad and will be enhanced in Qwest's western states in a forthcoming  
3 system release.

4 **Q. MS. DOBERNECK STATES THAT COVAD MUST GO BACK TO**  
5 **QWEST FOR THE USOC INFORMATION BEFORE IT CAN BEGIN**  
6 **BILL VALIDATION. HOW MANY TIMES HAS COVAD CONTACTED**  
7 **QWEST REQUESTING USOCS FOR NON RECURRING CHARGES?**

8 A. According to the Service Delivery Coordinators designated to work with Covad  
9 throughout the Qwest region, only one such inquiry has ever been received. This  
10 occurred in May of 2004.

11 **Q. ON PAGE 41 MS. DOBERNECK CITES THE USE OF A COMMON**  
12 **USOC FOR MULTIPLE RATE ZONES<sup>4</sup> AS A FACTOR**  
13 **COMPLICATING BILL REVIEW. DO YOU AGREE?**

14 A. No. The zone information is implicitly on the bill because the monthly rate being  
15 charged is directly related to the particular zone for a state. Although Ms.  
16 Doberneck does not explain that Covad may use the USOC to confirm that the  
17 rate is correct, the presence of the common USOC and the specific rate on the bill  
18 allow for a comparison of the rate with the allowable zone rates for that USOC.  
19 This comparison is easy to mechanize. Further, Qwest's use of the same USOC

---

<sup>4</sup> The Utah Commission, in Docket No. 94-999-01, established separate rate zones for urban, suburban and rural wire centers.

1 for multiple rate zones means Covad has fewer USOCs to have to keep track of,  
2 thereby simplifying bill validation to some degree. As Ms. Doberneck  
3 acknowledges, there are only three different zones to be concerned with in Utah.  
4 If Covad truly has “state of the art” billing validation software as Ms. Doberneck  
5 claims at page 40, it should be able to easily mechanically validate the rates for  
6 the different rate zones. Ms. Albersheim’s testimony will discuss the technical  
7 aspects of the way in which Qwest provides zone information and how that can be  
8 used by Covad for bill validation.

9 **Q. MS. DOBERNECK ALSO STATES ON PAGE 41 THAT ALL**  
10 **DISCONNECTS MUST BE RESEARCHED MANUALLY AND**  
11 **INDIVIDUALLY TO MAKE SURE THAT THE DATE ON THE**  
12 **DISCONNECT IS CORRECT. DO YOU AGREE WITH THAT**  
13 **STATEMENT?**

14 **A.** No. It may be that Covad chooses to validate disconnects manually. This process,  
15 however, is easily mechanized. Since Qwest provides the disconnect date on all of  
16 its electronic bills, Covad must simply build a mechanical routine to compare that  
17 disconnect date to the disconnect date expected according to Covad’s records.  
18 That the CLEC industry by and large operates on the commercially standard thirty  
19 day payment due date belies Covad’s argument that this and other bill validation  
20 steps cannot be reasonably done within thirty days.

1 **Q. AT PAGE 32 OF HER TESTIMONY MS. DOBERNECK STATES THAT**  
2 **TRANSPORT NON-RECURRING CHARGES MUST BE REVIEWED**  
3 **MANUALLY. HOW EXTENSIVE ARE COVAD'S NON-RECURRING**  
4 **TRANSPORT CHARGES IN UTAH?**

5 A. According to Qwest's billing records, **CONFIDENTIAL:** \_\_\_\_\_  
6 \_\_\_\_\_ Unbundled Dedicated Interoffice Transport (UDIT) non-recurring  
7 charges in Utah in 2004.

8 **Q. MS. DOBERNECK DEVOTES A SIGNIFICANT PORTION OF HER**  
9 **TESTIMONY TO ALLEGED BILLING ERRORS. ARE THE DISPUTED**  
10 **PORTIONS OF SECTION 5.4 OF THE INTERCONNECTION**  
11 **AGREEMENT THE APPROPRIATE PLACE TO ADDRESS BILLING**  
12 **PERFORMANCE?**

13 A. No. The section of the agreement that is in dispute in this arbitration is titled  
14 "Payment," and addresses the obligations of the billed party to make payments in  
15 a timely manner and the actions the billing party may take should payments not be  
16 timely. Billing performance issues, such as those alleged by Ms. Doberneck,  
17 should be addressed through the Change Management Process or the other  
18 resources Qwest has long made available to Covad through the designated Billing  
19 Service Delivery Coordinators and Service Managers. Further, to ensure that  
20 Qwest has every incentive to provide accurate bills, the parties operate under the  
21 Qwest Performance Assurance Plan (QPAP) which provides for payments to

1 Covad for inaccurate billing. There is a performance indicator, BI-3A, which is  
2 calculated each month to determine billing accuracy.

3 **Q. ARE THESE QPAP PAYMENTS FOR BILLING INACCURACY OVER**  
4 **AND ABOVE THE INTERCONNECTION AGREEMENT PROVISIONS**  
5 **FOR DISPUTED AMOUNTS?**

6 **A.** Yes. In cases of overbilling, Covad will receive credit for the amount of the  
7 overbilling, and any associated interest as well as the applicable payment under  
8 the QPAP. Clearly Qwest has every incentive to bill as accurately as possible.

9 **Q. ON PAGE 50 OF HER DIRECT TESTIMONY MS. DOBERNECK**  
10 **ASSERTS THAT “QWEST APPARENTLY NOW IS ATTEMPTING TO**  
11 **MODIFY ITS PAP OBLIGATIONS.” HOW DO YOU RESPOND?**

12 **A.** Ms. Doberneck is apparently referring to Qwest’s plan to not renew the Long  
13 Term PID Administration (LPTA) process after its initial term ended. Contrary to  
14 Ms. Doberneck’s assertions, LPTA was never an obligation under the  
15 Performance Assurance Plan. The LPTA was voluntarily initiated by Qwest as a  
16 forum to facilitate consideration and consensus as to any necessary changes to the  
17 performance measurements before the changes were submitted to state  
18 commissions. Unfortunately, Qwest’s experience in LPTA was that this forum  
19 did not successfully serve the purpose for which it was created. Based upon  
20 Qwest’s experience, Qwest believes that discussions on performance

1 measurement issues will be more productive in a less formal business setting.  
2 Going forward, Qwest has established a PID modifications process whereby  
3 CLECs can identify and address performance-related issues. Contrary to Ms.  
4 Doberneck's claims, this change does not modify Qwest's PAP obligations.

5 **Q. ALSO ON PAGE 41 OF HER DIRECT TESTIMONY MS. DOBERNECK**  
6 **CITES COVAD'S PLANS TO PARTNER "MORE AGGRESSIVELY"**  
7 **WITH OTHER CLECS TO PROVIDE LINE SPLITTING AND LOOP**  
8 **SPLITTING SERVICES AS A REASON WHY COVAD SHOULD NOW**  
9 **HAVE A LONGER TIME PERIOD TO PAY ITS BILLS. HOW DO YOU**  
10 **RESPOND?**

11 A. Covad has apparently chosen to change its business strategy and to move to line  
12 splitting or loop splitting to provide services. Covad provides no justification for  
13 why *Qwest* should have to assume additional risk and deferred payment as a result  
14 of a change in Covad's business strategy that does not involve Qwest. That  
15 Covad's plans to partner "more aggressively" with other CLECs may require  
16 significant coordination between Covad and its new business partners is an issue  
17 that must be addressed by those business partners. Covad and its new business  
18 partners have no incentive to adopt efficient billing arrangements or to sort out  
19 billing issues between themselves if payment *to Qwest* for the service both are  
20 receiving from Qwest can be deferred and the business costs and risk of  
21 nonpayment shifted to Qwest.

1 **Q. DOES QWEST PROVIDE SERVICE TO OTHER CLECS WHO ARE IN A**  
2 **PARTNERSHIP ARRANGEMENT?**

3 A. Yes. Qwest currently has a number of customers purchasing Line Splitting, a  
4 product which allows one company to provide voice service and another company  
5 to provide data service over the same line. These customers are operating under  
6 the same 30 day payment terms that Covad is disputing here.

7 **Q. AT PAGE 43 OF HER DIRECT TESTIMONY MS. DOBERNECK**  
8 **ADDRESSES THE IMPORTANCE THE FCC ATTACHES TO TIMELY**  
9 **AND ACCURATE WHOLESALE BILLING PROCESSES. HAS THE FCC**  
10 **REVIEWED QWEST'S BILLING PROCESSES?**

11 A. Yes. As discussed previously, the FCC, as part of the 271 approval process  
12 conducted an extensive review of Qwest's wholesale billing processes. The FCC  
13 agreed that Qwest's processes satisfied its checklist requirements.

14 **Q. WHAT SUPPORT DOES MS. DOBERNECK PROVIDE FOR THE**  
15 **COVAD PROPOSAL TO EXTEND THE TIME PERIODS QWEST MUST**  
16 **WAIT BEFORE DISCONTINUING ORDERS AND DISCONNECTING**  
17 **SERVICE IN CASES OF NON-PAYMENT?**

18 A. Ms. Doberneck offers two arguments to support the proposed extensions: that the  
19 current time frames do not allow sufficient time for bill review and are  
20 inappropriate given the way Qwest handles disputes. With regard to the amount

1 of time for bill review, this issue is directly related to the number of days between  
2 the invoice date and the payment date (Issue 9-1); it has nothing to do with how  
3 much time Qwest should be required to wait before taking action in cases of non-  
4 payment. The discontinuance of orders would not happen until *after* the payment  
5 date has passed; bill review should happen before payment date. As for disputes,  
6 the language in both Sections 5.4.2 and 5.4.3 makes clear that Qwest may  
7 discontinue processing orders and disconnect service only in cases of non-  
8 payment of *non*-disputed amounts. The Arizona dispute Ms. Doberneck cites,  
9 which I address separately below, is a case in point. Nowhere does Covad offer  
10 any rationale for *tripling* the amount of time Qwest must wait before it may  
11 discontinue processing orders. Similarly, nowhere does Covad offer any rationale  
12 for *doubling* the number of days Qwest must wait before disconnecting service.  
13 Recent events in the industry, where several CLECs' in the Qwest region failed to  
14 pay Qwest for services, only underscore the importance of allowing Qwest  
15 reasonable recourse to limit its risk in cases of non-payment.

16 **Q. MS. DOBERNECK USES THE WORDS “DRACONIAN” “DESTROY”**  
17 **AND “DEVASTATING” WHEN REFERING TO ACTIONS QWEST MAY**  
18 **TAKE IN CASES OF NON-PAYMENT. PLEASE COMMENT.**

19 A. Insisting that a customer pay for services provided and disconnecting service if  
20 the customer has not paid the undisputed portion within 3 months of the invoice  
21 date hardly qualifies as “draconian.” Rather, it should be viewed as a prudent



1 business practice, one agreed to by the CLECs, including Covad, during the 271  
2 process and one followed by Covad itself. Indeed, as I pointed out in my direct  
3 testimony, Covad's own policy does not require it to wait for any period past the  
4 30 day due date before it disconnects services to its customers.

5 **Q. AT PAGE 46 OF HER TESTIMONY MS. DOBERNECK ARGUES THAT**  
6 **QWEST WANTS MONTHLY PAYMENT ON OR BEFORE IT EVEN**  
7 **PROVIDES A FULL MONTH'S SERVICE. PLEASE COMMENT.**

8 A. Ms. Doberneck is mistaken. First, all non-recurring charges and usage charges  
9 are billed in arrears. Second while it is true that recurring charges are billed in  
10 advance, all service will have been provided by the time the bill is due, 30 days  
11 after the invoice date. I would point out that the billing of recurring charges in  
12 advance is the standard in the industry and is in fact the practice followed by  
13 Covad in billing its own customers.

14 **Q. MS. DOBERNECK CONCLUDES THAT QWEST IS "SIMPLY**  
15 **POSTURING AND IS NOT REALLY CONCERNED ABOUT NON-**  
16 **PAYMENT" BECAUSE IF IT WERE, "QWEST WOULD CERTAINLY**  
17 **HAVE ATTEMPTED TO NEGOTIATE INTO THE AGREEMENT SOME**  
18 **ADDITIONAL FORMS OF PROTECTION." PLEASE COMMENT.**

19 A. I fail to see the logic of the argument. Qwest's position is that it does need to  
20 have recourse in cases of non-payment and that the language it is proposing

1 provides the necessary protection. Covad's attempt to lengthen the time frames  
2 weakens this protection and, for this reason, Qwest is opposed to it. In fact,  
3 Qwest's proposal provides a logical link between providing service and protecting  
4 against non-payment. Section 5.4.5, which deals with repeated delinquency,  
5 allows Qwest to secure a deposit approximating two months of billing. Then, in  
6 this disputed language, Qwest seeks to suspend orders once bills are thirty days  
7 past due. Since there is one month of service on the past due bills, and another  
8 month of service passes before Qwest begins to suspend order activity, Qwest  
9 would begin suspension activity only after its protection, in the form of a two-  
10 month deposit, has been exhausted by two months of billing. Disconnection of  
11 service would not begin until Qwest was well beyond its financial protections.  
12 Clearly, Qwest is being reasonable in its timeframes. To extend them beyond  
13 what they are in the existing contract, and what's in Qwest's proposed language,  
14 would leave Qwest with unjustified additional financial exposure.

15 **Q. ON PAGES 48 OF HER DIRECT TESTIMONY MS. DOBERNECK**  
16 **ASSERTS THAT, BASED ON THE QWEST-COVAD BILLING**  
17 **RELATIONSHIP, QWEST HAS NO BASIS TO BE CONCERNED THAT**  
18 **COVAD WILL FAIL TO PAY UNDISPUTED AMOUNTS ON TIME OR**  
19 **WILL DISPUTE BILLS TO AVOID PAYING ON TIME. PLEASE**  
20 **COMMENT.**

1 A. In deciding payment terms, Qwest must consider more than Covad's past payment  
2 performance. Although the FCC has recently eliminated the "pick and choose"  
3 option, under FCC rules any carrier may still opt into the new Qwest-Covad  
4 interconnection agreement in its entirety and receive the extended time frames  
5 advocated by Covad here. As a result, Covad's prior payment performance is not  
6 the only relevant factor in determining whether it is appropriate to require Qwest  
7 to continue to provide services for extended periods even though the bill is  
8 undisputed. Further, Covad's prior payment performance may not be predictive of  
9 Covad's future payment performance. While Covad cites its prior payment  
10 performance as a reason why Qwest need have no concerns about Covad, it  
11 simultaneously argues for significant extensions of time frames within which  
12 Qwest would have no remedy for Covad's nonpayment. Such extensions would  
13 be unnecessary if Covad maintains its historical payment performance. Finally,  
14 past payment history or creditworthiness is no basis upon which to depart from  
15 the well-established and commercially-reasonable 30 day period for paying for  
16 the services that Covad receives. Under Covad's "past payment history and  
17 creditworthiness" argument, Covad would have to extend the payment due date  
18 for most of its own customers, clearly something it does not do. Indeed, because  
19 Covad serves its customers through services it purchases from Qwest, under  
20 Covad's proposal, Covad will continue to receive payment from its own  
21 customers within 30 days even as it delays well past 30 days the amount of time  
22 that Covad must pay Qwest for these services.

1 **Q. ARE THERE ARE OTHER BILLING PROVISIONS, SUCH AS**  
2 **REQUIRING A DEPOSIT WHEN A CLEC HAS NOT DEMONSTRATED**  
3 **A SATISFACTORY PAYMENT HISTORY, WHICH WILL PROTECT**  
4 **QWEST IF ANOTHER CLEC OPTS INTO AN AGREEMENT WITH THE**  
5 **EXTENDED TIME FRAMES COVAD PROPOSES?**

6 A. No. Often carriers that run into trouble have a satisfactory payment history, but  
7 events change. That is why it is important to have provisions in the  
8 interconnection agreement that allow for corrective action if events should  
9 change.

10 **Q. BASED UPON RECENT EVENTS, ARE QWEST'S CONCERNS**  
11 **REGARDING THE EXTENDED TIME FRAMES PROPOSED BY**  
12 **COVAD FOR THESE DISPUTED ISSUES HYPOTHETICAL?**

13 A. No. Over the past several years, Qwest has found itself in the position of being  
14 left with large receivables when CLECs exited the local exchange market and  
15 filed Chapter 7 bankruptcy. These recent experiences highlight the need for more,  
16 not less, stringent time frames for payment. The extended time frames proposed  
17 by Covad, especially considering the ability of other CLECs to opt-in to this  
18 agreement, will only unreasonably increase Qwest's financial exposure.

19 **Q. ON PAGES 48-50 OF HER TESTIMONY MS. DOBERNECK REFERS TO**  
20 **AN ARIZONA DS3 UDOT BILLING ISSUE. PLEASE COMMENT.**

1 A. As Ms. Doberneck notes in her testimony, the Arizona Commission ordered a rate  
2 for DS3 UDITs in June 2002. After receiving complaints about the ordered rate,  
3 the Commission decided to reexamine the issue. Following a hearing on the  
4 matter, the Commission ordered a new rate in October 2003 and further ordered  
5 that this rate be made effective retroactively to June 2002. The concern Ms.  
6 Doberneck expresses in her testimony has to do with how DS3 UDITs were billed  
7 between the time the Commission decided to reexamine the rate and the time it  
8 determined the new rate. Based on the original Commission order in effect during  
9 this time frame, Qwest billed CLECs using the rate ordered in June 2002. In  
10 addition, Qwest calculated bill true-ups back to the effective date of the order  
11 using the ordered rate. Qwest properly billed at the Commission-ordered rate  
12 while the rate was being re-examined and until the Commission ordered a new  
13 rate.

14 **Q. DID COVAD DISPUTE THE BILLED AMOUNTS DURING THIS TIME**  
15 **FRAME?**

16 A. Yes. The dispute was ultimately resolved with the implementation of the  
17 Commission's 2003 order and Covad, like all other Arizona CLECs, had its bills  
18 adjusted back to June 2002.

19 **Q. WAS COVAD ASSESSED LATE PAYMENT CHARGES ON THE**  
20 **DISPUTED AMOUNTS?**

1 A. No.

2 **Q. DID QWEST DEMAND A DEPOSIT FROM COVAD AS A RESULT OF**  
3 **THIS DISPUTE?**

4 A. No.

5 **Q. DID QWEST STOP TAKING COVAD ORDERS OR DISCONNECT**  
6 **COVAD SERVICE AS A RESULT OF THIS DISPUTE?**

7 A. No.

8 **IV. SUMMARY/CONCLUSION**

9 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

10 A. The disputed portions of section 5.4 of the interconnection agreement have to do  
11 with the obligations of the billed party to make payments in a timely manner and  
12 the actions the billing party may take to protect itself when payments are  
13 untimely. Qwest's proposed language and timeframes strike a balance between  
14 the needs of both parties, as reflected by the fact that these timeframes and  
15 language were agreed to by the CLECs (including Covad) during the 271  
16 workshops. In its testimony on payment issues, Covad ignores the notion of  
17 balance, ignores the language in other, undisputed portions of the agreement that  
18 protects Covad's legitimate concerns and instead focuses only on purported  
19 disadvantages to Covad. Covad also raises billing concerns here that are more

1           appropriately addressed through the Change Management Process, the  
2           Performance Assurance Plan or the other resources Qwest has long made  
3           available to Covad through the designated Billing Service Delivery Coordinators  
4           and Service Managers. In the end, Covad offers no compelling reason why the  
5           payment due date that the two parties have been operating under since 1999, and  
6           other terms which were agreed to by all parties during the 271 workshops, should  
7           now be modified.

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

9           A.     Yes, it does.