

Direct Testimony of William R. Easton

April 30, 2009

Docket No. 08-2430-01

Exhibit WRE 1.4

Agenda Date: February 26, 2009
Item Number: A2

Docket: UT-081973
Company: Qwest Corporation

Staff: Sharyn Bate, Regulatory Analyst
William Weinman, Assistant Director - Telecommunications

Recommendation

Take no action, thereby allowing Qwest Corporation's revision to Section 2 of its Access Service Tariff to become effective on March 1, 2009, by operation of law.

Background

On October 31, 2008, Qwest Corporation (Qwest or company) filed proposed revisions to modify the Jurisdictional Report Requirements of its Access Service Tariff for the purpose of ensuring accurate jurisdictional reporting and reducing misuse of jurisdictional reporting. Qwest proposed to modify the Jurisdictional Report Requirements in Section 2 of its Access Service Tariff by establishing a Percent Interstate Usage (PIU) floor for unidentified Feature Group D (FGD) terminating traffic as described below.

The proposed revisions address the following issues:

- Allocate unidentified FGD based upon cost study analysis
- Reduce misuse of jurisdictional reporting
- Discontinue using artificial allocations to determine intrastate and interstate access revenues.
- Establish a PIU factor based on historical call data

FGD service is a switched access service that Qwest makes available to interexchange carriers (IXCs). This service allows IXCs to terminate long distance calls to Qwest's end-users. IXCs need to provide Qwest with sufficient call record detail so that Qwest may apply the appropriate interstate or intrastate access rates to the IXC traffic. Generally intrastate access rates are higher than interstate access rates.

When Qwest receives sufficient call detail to identify the jurisdiction of terminating FGD traffic it receives from other carriers, the company will continue to charge the carrier at the appropriate jurisdictional rate (Washington intrastate or interstate). Some FGD traffic terminated by Qwest does not contain sufficient call detail that would allow Qwest to determine whether the call is intrastate or interstate. jurisdiction. The existing tariff provides for Qwest to charge the IXC at 50 percent interstate and 50 percent intrastate. Qwest may be entitled to more compensation than it is currently receiving.

The proposed tariff revision is designed to reduce unidentified terminating traffic. When Qwest receives terminating FGD traffic that does not contain sufficient call detail to identify the jurisdiction (unidentified traffic), the traffic will be assigned to a jurisdiction as follows:

- The first 3 percent of unidentified terminating traffic will continue to be jurisdictionally assigned based on the carrier's PIU report or, if the carrier has not filed a PIU report, a PIU of 50 (50 percent interstate – 50 percent intrastate) will be assigned according to the current terms in Section 2.3.10.B.2.c of the access tariff.
- Unidentified traffic in excess of the 3 percent floor will be designated as intrastate traffic and charged at Qwest's current Washington rates.

Qwest provided notice to its access customers, i.e., other carriers, advising of the proposed revision to the tariff. While Washington's PIU percentage would be at 3 percent, Qwest has proposed different and higher percentages in other states within its service territory.

On November 14, 2008, AT&T Communications of the Pacific Northwest, Inc., TCG Oregon, Inc. and TCG Seattle, Inc. (collectively AT&T) filed an objection with the commission stating that Qwest's proposed 3 percent floor was too low. The companies also noted that the tariff revisions lacked any mechanism through which access customers may challenge the application of incorrect intrastate rates above the 3 percent PIU floor.

Qwest and AT&T reached agreement that the PIU floor would be set at 5 percent. Qwest filed replacement pages to its tariff to reflect the compromise. The replacement included language that states the mechanism by which customers may challenge the application of an intrastate rate. It reads as follows:

In the event that the Company applies the intrastate terminating access rate to calls without sufficient call detail as provided in this tariff, the customer will have the opportunity to request backup documentation regarding the Company's basis for such application, and further request that the Company change the application of the intrastate access rate upon a showing of why the intrastate rate should not be applied.

Level 3 Communications, LLC (Level 3) filed an objection on November 21, 2008, which was later withdrawn after it determined that Qwest's proposed tariff revision would not have a significant adverse financial impact on Level 3.

On December 2, 2008, MCI Communications Services, Inc. d/b/a Verizon Business Services (Verizon Business) filed an objection to the proposed tariff revision stating that it would result in a higher percentage of traffic being billed at the intrastate rates, which are greater than interstate access charges. Verizon Business asserts the change would increase the amounts it is billed.

Verizon Business also asserts Qwest did not demonstrate the existence or nature of the problem the tariff revision purports to address or explain why its proposed solution would be appropriate. Verizon Business questions how the new jurisdictional reporting mechanism would be implemented and what mechanism would be in place to enable carriers to resolve questions of call originating information. The company maintains the language Qwest added did not provide specific detail for how disputes would be resolved.

We note that on September 28, 2007, Verizon Northwest Inc. (Verizon) filed a tariff revision that set a floor for its unidentified traffic at 7 percent (with a 2 percent grace threshold) for terminating minutes lacking originating numbers for all switched access customers. Receiving no complaints from access customers, the commission let the tariff change become effective date of October 28, 2007.

Qwest proposes to apply the PIU threshold to terminating FGD traffic by Local Access and Transport Area (LATA) trunk group. The original filing at the 3 percent threshold would have increased Qwest's access revenues by \$255,000. The subsequent filing increasing the threshold to 5 percent reduces the anticipated revenue increase to approximately \$89,000. Verizon Business asserts that a threshold of 5 percent will increase its cost to approximately \$100,000 annually. The unidentified minutes of use (MOU) exceeding the 5 percent threshold is approximately .20 percent of the total MOU studied. The majority of IXCs will not exceed the threshold floor.

Due to the objections filed by IXCs, Qwest extended the effective date for the tariff revision filing from December 1, 2008, to December 15, 2008. The company subsequently requested an effective date for January 1, 2009. This allowed time to resolve issues with AT&T and Level 3. Qwest has been unable to reach agreement with Verizon Business.

Discussion

Qwest subsequently requested an effective date for March 1, 2009, as the company continues to negotiate with Verizon Business to reach agreement. In its replacement filing of January 26, 2009, Qwest revised its tariff to include language that further defines call detail. It reads as follows:

To determine the jurisdiction of a call, the Company compares the originating number information with the terminating number information. If the originating number information lacks a valid Charge Number or Calling Party Number, the Company does not have sufficient call detail to determine the jurisdiction.

Staff agrees Qwest's tariff is appropriate. The record in the docket indicates that the practice of setting a traffic threshold is common in the industry, and the record indicates that Qwest's 5

percent falls within the range of thresholds set in other jurisdictions. The company has provided sufficient cost analysis that determines that the PIU floor of 5 percent is reasonable.

Of thirteen FGD interexchange carriers studied, five carriers have non-jurisdictional percentages higher than 5 percent. Quest has 38 Intrastate terminating FGD trunk groups in Washington and nine show percentages above the 5 percent floor. Verizon Business has seven of those 38 terminating FGD trunk groups. If Verizon Business placed orders with Qwest to consolidate its trunk groups, this company's terminating FGD traffic would be under the 5 percent threshold. Additionally, IXCs are encouraged to identify and send the originating number to Qwest for application of the appropriate access tariff for billing purposes.

Conclusion

Staff agrees that Qwest Corporation's proposed revision to its access tariff is reasonable and recommends that the commission take no action, thereby allowing Qwest Corporation's revision to Section 2 of its Access Service Tariff in Docket UT-081973 to become effective on March 1, 2009, by operation of law.