

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

ARB 671

In the Matter of the Petition of QWEST  
CORPORATION for Arbitration of  
Interconnection Rates, Terms, Conditions,  
and Related Arrangements with  
UNIVERSAL TELECOMMUNICATIONS,  
INC.

DIRECT TESTIMONY OF

NANCY J. BATZ

FOR

QWEST CORPORATION

October 21, 2005

(Disputed Issues 1 and 2)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

I. IDENTIFICATION OF WITNESS

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

A. My name is Nancy J. Batz. I am a Senior Access Manager in the Wholesale Carrier Relations Department of Qwest Corporation (“Qwest”). My business address is 421 SW Oak Street, Room 8S16, Portland, Oregon 97204.

Q. PLEASE DESCRIBE YOUR CURRENT POSITION WITH QWEST.

A. My current job responsibilities include providing account and access management services to independent telephone companies in Oregon, and providing access management services to more than 20 competitive local exchange carriers (“CLECs”), including Universal Telecommunications, Inc. (Universal). Among my more specific duties are the review of reciprocal compensation and/or switched access bills submitted to Qwest by several CLECs, including Universal. In that connection, I analyze CLEC billed usage and charges in comparison to Qwest’s traffic measurements; issue payment requests and/or dispute letters in order to ensure accurate compensation to the CLECs for local/Extended Area Service (“EAS”) traffic, ISP traffic, and/or switched access traffic in compliance with each CLEC’s interconnection agreement and applicable state or federal rules; negotiating relative use factors to be applied to the carriers’ facility charges under

1 specific interconnection agreements; and providing analysis, research, and other  
2 support to Qwest management to assist in dispute resolution.

3

4 In connection with my duties, I am also familiar with basic interconnection  
5 configurations and have general knowledge of the types of local interconnection  
6 services (LIS) provided by Qwest in order to interconnect with CLECs.

7

## II. PURPOSE OF TESTIMONY

8 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

9 A. The purpose of my testimony is to provide information related to current and  
10 historical interconnection arrangements between Qwest and Universal and to  
11 provide a few additional clarifying facts for the Commission's consideration in  
12 this arbitration docket.

1 III. DISPUTED ISSUE NO. 1: RELATIVE USE FACTOR ISSUES

2

3 Q. HAVE YOU REVIEWED THE DOCUMENT ATTACHED TO QWEST'S  
4 STATEMENT OF FACTS AS EXHIBIT H, ENTITLED "SIMPLIFIED  
5 NETWORK CONFIGURATION FOR SINGLE POINT OF  
6 INTERCONNECTION BETWEEN QWEST AND UNIVERSAL IN LATA  
7 672 (PORTLAND)"?

8 A. Yes.

9

10 Q. BASED ON YOUR UNDERSTANDING OF THE INTERCONNECTION  
11 BETWEEN QWEST AND UNIVERSAL, IS IT AN ACCURATE  
12 REPRESENTATION OF THE INTERCONNECTION BETWEEN THE  
13 TWO COMPANIES?

14 A. At a very high level, it provides a general view of the traffic flow from Qwest to  
15 Universal. As I understand it, Mr. Martin presented it in the federal court  
16 litigation only as a general representation of the traffic flow, and for that purpose  
17 it is generally accurate. However, on the Qwest side of the point of  
18 interconnection ("POI"), the exhibit is oversimplified.

19

20 Q. WHAT REVISIONS NEED TO BE MADE TO IT TO MAKE IT MORE  
21 ACCURATE?

22 A. The first area that needs to be revised relates to the placement of Qwest switches.  
23 An example will illustrate the point. In this case, I will assume that Universal  
24 provides services to its ISP customers for Astoria, a city in the Portland LATA.

1 In order for Qwest to deliver traffic from an Astoria customer of one of  
2 Universal's ISP customers to Universal's POI in Portland, the calling party would  
3 first dial a local Astoria telephone number that Universal provided to its ISP  
4 customer for use by that ISP's dial-up customers in Astoria from a block of  
5 telephone numbers that Universal obtained from North American Numbering Plan  
6 Administration ("NANPA"). Thus, the call is first routed over the end user  
7 customer's local loop to the Qwest end office switch in Astoria. That switch  
8 would recognize the called number as a Universal number and the switch would  
9 direct it to Universal. The switch would be programmed to know that a call to  
10 that number needs to be ultimately transported to Universal's POI in the Pittock  
11 Building in Portland. Thus, depending on the configuration, the call would then  
12 either (1) be routed directly from the Astoria end office switch to the end office  
13 switch serving the Pittock building or (2) be routed from the Astoria end office to  
14 a tandem switch in Portland, which would then route it to the end office switch  
15 serving the Pittock building. Under either scenario, the call would then be routed  
16 from the Qwest end office serving the Pittock Building to the POI in the Pittock  
17 Building, at which point the traffic would be handed off to Universal.

18  
19 Thus, at minimum, the traffic from Astoria to the Universal POI in Portland  
20 would be switched at two Qwest end offices and perhaps routed through a tandem  
21 switch as well. These same possible configurations would likewise exist for other  
22 originating locations within the Portland LATA. Universal also has a POI in  
23 Eugene to serve that LATA, and similar configurations would apply there as well.

24  
25 Q. IS THERE ANOTHER REVISION THAT WOULD MAKE THE EXHIBIT  
26 MORE SPECIFIC?

1 A. Yes. The exhibit makes a reference to “Qwest-provided LIS circuits.” It is  
2 important to understand what those LIS services are.

3

4 Again using the Astoria example, the LIS service that transports the traffic from  
5 Astoria to the end office serving the Pittock Building in Portland is Direct  
6 Trunked Transport (“DTT”) (whether the traffic goes through a tandem or not).  
7 The LIS service that connects the end office in Portland serving the Pittock  
8 Building to the POI with Universal is an Entrance Facility (“EF”). In addition to  
9 DTT and EF, multiplexing may also be used with those services.

10

11 The recurring and non-recurring charges applicable to LIS services have been  
12 established by the Commission in its cost docket orders.

13

14 The subject matter of the disputed relative use factor language in paragraphs  
15 7.3.1.1.3 and 7.3.1.1.3.1 relate to EF, while the disputed language in paragraphs  
16 7.3.2.2 and 7.3.2.2.1 relate to DTT.

1 IV. DISPUTED ISSUE NO. 2: VNXX

2

3 Q. IN THE FEDERAL COURT LITIGATION, YOU FILED AN AFFIDAVIT  
4 (EXHIBIT K TO QWEST'S STATEMENT OF FACTS) IN WHICH YOU  
5 IDENTIFIED THE NUMBER OF SEPARATE LOCAL CALLING AREAS  
6 IN OREGON FROM WHICH TRAFFIC DELIVERED TO UNIVERSAL  
7 WAS BEING ORIGINATED. WHAT WAS THE STATUS AT THAT  
8 TIME?

9 A. As of August 2004, when I filed the affidavit, Universal had obtained local  
10 telephone numbers in 17 separate local calling areas within Qwest's serving  
11 territory in Oregon from which traffic was being generated, including the Portland  
12 EAS Region and the Eugene-Springfield local calling area. Thus, Universal had  
13 obtained local telephone numbers in 15 local calling areas in Qwest's serving  
14 territory that were not part of either the Portland EAS Region or the Eugene-  
15 Springfield local calling area. Based my analysis at that point, about 70 percent  
16 of the traffic delivered to Universal in Portland and Eugene was originated in  
17 local calling areas other than the Portland EAS Region or Eugene-Springfield  
18 local calling area.

19

20 Q. HAVE YOU EXAMINED MORE CURRENT DATA TO DETERMINE  
21 WHETHER THOSE CONCLUSIONS ARE STILL ACCURATE?

22 A. Yes, and my earlier conclusions are still accurate. Although there have been a  
23 few EAS changes since my 2004 analysis (such as the implementation of the  
24 "Southern Oregon EAS Region"), and although there have been some minor

1 changes in the specific exchanges for in which Universal obtains local numbers,  
2 Universal still obtains local telephone numbers in those same 17 separate local  
3 calling areas from which traffic was being generated, including the Portland EAS  
4 Region and the Eugene-Springfield local calling area. Thus, traffic is generated  
5 by end users served by Universal's ISP customers in 15 local calling areas in  
6 Qwest's serving territory exclusive of the Portland EAS Region and the Eugene-  
7 Springfield local calling area.

8  
9 Q. IN YOUR 2004 ANALYSIS, YOU CONCLUDED THAT VIRTUALLY ALL  
10 OF THE TRAFFIC IS ONE-WAY FROM QWEST'S NETWORK TO  
11 UNIVERSAL'S NETWORK. HAS THAT CHANGED?

12 A. No. With only insignificant and immaterial exceptions, all traffic exchanged  
13 between Qwest and Universal is ISP traffic that is originated on Qwest's side of  
14 the POI and terminated on Universal's side of the POI. Based on my analysis of  
15 data from September 2004 through September 2005, 99.997 percent of all traffic  
16 between Qwest and Universal originates on Qwest side of the POI and is  
17 delivered to Universal. In the past 13 months, Qwest has delivered in excess of 1  
18 billion minutes of traffic to Universal in Oregon, while it has received slightly  
19 more than 28,000 minutes from Universal.

20

21 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

22 A. Yes.



## Competing Language (ARB 671)

Proposed Universal additions to Qwest language represented in bold/underlined text.

Proposed Universal deletions represented in strike-through format.

### 7.1 Interconnection Facility Options

7.1.1 This Section describes the Interconnection of Qwest's network and CLEC's network for the purpose of exchanging Exchange Service (EAS/Local traffic), Exchange Access (IntraLATA Toll) and Jointly Provided Switched Access (InterLATA and IntraLATA) traffic. Qwest will provide Interconnection at any Technically Feasible point within its network, including but not limited to, (i) the Line Side of a local Switch (i.e., local switching); (ii) the Trunk Side of a local Switch, (iii) the trunk connection points for a Tandem Switch, (iv) Central Office Cross Connection points, (v) out-of-band Signaling Transfer Points necessary to exchange traffic at these points and access call-related databases, and (vi) points of access to Unbundled Network Elements. Section 9 of this Agreement describes Interconnection at points (i), (iv), (v), and (vi), although some aspects of these Interconnection points are described in Section 7.

"Interconnection" is as described in the Act and refers, in this Section of the Agreement, to the connection between networks for the purpose of transmission and routing of Telephone Exchange Service traffic, **including Section 251(b)(5) and/or ISP-bound traffic (hereinafter referred to as "EAS/Local")**, and Exchange Access traffic at points (ii) and (iii) described above. Interconnection, which Qwest currently names "Local Interconnection Service" (LIS), is provided for the purpose of connecting End Office Switches to End Office Switches or End Office Switches to local or Access Tandem Switches for the exchange of Exchange Service (EAS/Local traffic); or End Office Switches to Access Tandem Switches for the exchange of Exchange Access (IntraLATA Toll) or Jointly Provided Switched Access traffic. Qwest Tandem Switch to CLEC Tandem Switch connections will be provided where Technically Feasible. New or continued Qwest local Tandem Switch to Qwest Access Tandem Switch and Qwest Access Tandem Switch to Qwest Access Tandem Switch connections are not required where Qwest can demonstrate that such connections present a risk of Switch exhaust and that Qwest does not make similar use of its network to transport the local calls of its own or any Affiliate's End User Customers.

7.1.1.1 Qwest will provide to CLEC Interconnection at least equal in quality to that provided to itself, to any subsidiary, Affiliate, or any other party to which it provides Interconnection. Notwithstanding specific language in other sections of this Agreement, all provisions of this Agreement regarding Interconnection are subject to this requirement. Qwest will provide

Interconnection under rates, terms and conditions that are just, reasonable and non-discriminatory. In addition, Qwest shall comply with all state wholesale and retail service quality requirements.

### 7.1.2 Methods of Interconnection

The Parties will negotiate the facilities arrangement used to interconnect their respective networks. CLEC shall establish at least one (1) physical Point of Interconnection in Qwest territory in each LATA CLEC has local ~~End User~~ Customers. **Each Party will be responsible (including financially responsible) for providing all of the engineering and facilities on its network on its respective side of the POI.** The Parties shall establish, through negotiations, at least one (1) of the following Interconnection arrangements, at any Technically Feasible point: (1) a DS1 or DS3 Qwest-provided facility; (2) Collocation; (3) negotiated Mid-Span Meet POI facilities; or (4) other Technically Feasible methods of Interconnection via the Bona Fide Request (BFR) process unless a particular arrangement has been previously provided to a third party, or is offered by Qwest as a product.

---

### 7.3 Reciprocal Compensation

#### 7.3.1 Interconnection Facility Options

The Reciprocal Compensation provisions of this Agreement shall apply to the exchange of Exchange Service (EAS/Local) traffic between CLEC's network and Qwest's network. Where either Party acts as an IntraLATA Toll provider, each Party shall bill the other the appropriate charges pursuant to its respective tariff or price lists. Where either Party interconnects and delivers traffic to the other from third parties, each Party shall bill such third parties the appropriate charges pursuant to its respective tariffs, price lists or contractual offerings for such third party terminations. Absent a separately negotiated agreement to the contrary, the Parties will directly exchange traffic between their respective networks without the use of third party transit providers. **Each Party will be responsible (including financially responsible) for providing all of the engineering and facilities on its network on its respective side of the POI.**

##### 7.3.1.1 Entrance Facilities

7.3.1.1.1 Recurring and nonrecurring rates for Entrance Facilities are specified in Exhibit A and will apply for those DS1 or DS3 facilities dedicated to use by LIS, **to the extent such facilities are dedicated to the transmission of traffic between the Parties' networks.**

7.3.1.1.2 If CLEC chooses to use an existing facility purchased as private line transport service from the Qwest state or FCC access Tariffs, the rates from those Tariffs will apply.

##### 7.3.1.1.2.1 Intentionally Left Blank.

7.3.1.1.3 If the Parties elect to establish LIS two-way trunks, for reciprocal exchange of Exchange Service (EAS/Local) traffic, the cost of the LIS two-way facilities shall be shared among the Parties, **to the extent such facilities are dedicated to the transmission of traffic between the Parties' networks**, by reducing the LIS two-way Entrance Facility (EF) rate element charges as follows:

7.3.1.1.3.1 The provider of the LIS two-way Entrance Facility (EF) will initially share the cost of the LIS two-way EF by assuming an initial relative use factor (RUF) of fifty percent (50%) for a minimum of one (1) quarter if the Parties have not exchanged LIS traffic previously. The nominal charge to the other Party for the use of the EF, as described in Exhibit A, shall be reduced by this initial relative use factor. Payments by the other Party will be according to this initial relative use factor for a minimum of one (1) quarter. The initial relative use factor will continue for both bill reduction and payments until the Parties agree to a new factor, based upon actual minutes of use data for ~~EAS/local non-ISP-bound~~ traffic to substantiate a change in that factor. ~~If CLEC's End User Customers are assigned NPA-NXXs associated with a rate center different from the rate center where the End User Customers are physically located, traffic that does not originate and terminate within the same Qwest local calling area (as approved by the Commission), regardless of the called and calling NPA-NXXs involving those End User Customers, is referred to as "VNXX traffic." For purposes of determining the relative use factor, the terminating carrier is responsible for ISP-bound traffic and for VNXX traffic. If either Party demonstrates with traffic data that actual minutes of use during the previous quarter justifies a new relative use factor, the Parties will retroactively true up first quarter charges. that Party will send a notice to the other Party. The new factor will be calculated based upon Exhibit H. Once the Parties negotiate finalize a new factor, bill reductions and payments will apply going forward for a minimum of one (1) quarter. The relative use factor applies to both recurring and non-recurring charges. from the date the original notice was sent. ISP-bound traffic or traffic delivered to Enhanced Service providers is interstate in nature. Qwest has never agreed to exchange VNXX traffic with CLEC.~~

7.3.1.2 Collocation

7.3.1.2.1 See Section 8.

## 7.3.2 Direct Trunked Transport

7.3.2.1 Either Party may elect to purchase **deliver its traffic to the other**

**Party via** direct trunked transport ~~from the other Party.~~

7.3.2.1.1 Direct trunked transport (DTT) is available between the Serving Wire Center of the POI and the terminating Party's Tandem Switch or End Office Switches. The applicable rates are described in Exhibit A. DTT facilities are provided as dedicated DS3, DS1 or DS0 facilities.

7.3.2.1.2 When DTT is provided to a local or Access Tandem Switch for Exchange Service (EAS/Local) traffic, or to an Access Tandem Switch for Exchange Access (IntraLATA Toll), or Jointly Provided Switched Access traffic, the applicable DTT rate elements apply between the Serving Wire Center and the Tandem Switch. Additional rate elements for delivery of traffic to the terminating End Office Switch are tandem switching and tandem transmission. These rates are described below.

7.3.2.1.3 Mileage shall be measured for DTT based on V&H coordinates between the Serving Wire Center and the local/Access Tandem Switch or End Office Switch.

7.3.2.1.4 Fixed Charges per DS0, DS1 or DS3 and per mile charges are defined for DTT in Exhibit A of this Agreement.

7.3.2.2 If the Parties elect to establish LIS two-way DTT trunks, for reciprocal exchange of Exchange Service (EAS/Local) traffic, the cost of the LIS two-way DTT facilities shall be shared among the Parties, **unless federal law requires that one Party (or the other) assume the cost of such facility,** by reducing the LIS two-way DTT rate element charges as follows:

7.3.2.2.1 The provider of the LIS two-way DTT facility will initially share the cost of the LIS two-way DTT facility by assuming an initial relative use factor of fifty percent (50%) for a minimum of one (1) quarter if the Parties have not exchanged LIS traffic previously. The nominal charge to the other Party for the use of the DTT facility, as described in Exhibit A, shall be reduced by this initial relative use factor. Payments by the other Party will be according to this initial relative use factor for a minimum of one (1) quarter. The initial relative use factor will continue for both bill reduction and payments until the Parties agree to a new factor, based upon actual minutes of use data for **EAS/local non-ISP-bound** traffic to substantiate a change in that factor. ~~If CLEC's End User Customers are assigned NPA-NXXs associated with a rate center other than the rate center where the End User Customers are physically located, traffic that does not originate and terminate within the same Qwest local calling area (as approved by the Commission), regardless of the called and calling NPA-NXXs involving those End User Customers, is referred to as "VNXX traffic." For purposes of determining the relative use factor, the~~

~~terminating carrier is responsible for ISP-bound traffic and for VNXX traffic. If either Party demonstrates with traffic data that actual minutes of use during the previous quarter justifies a new relative use factor, **the Parties will retroactively true up first quarter charges.** that Party will send a notice to the other Party. The new factor will be calculated based upon Exhibit H. Once the Parties **negotiate** finalize a new factor, bill reductions and payments will apply going forward **for a minimum of of one (1) quarter. The relative use factor applies to both recurring and non-recurring charges.** from the date the original notice was sent. ISP-bound traffic is interstate in nature. Qwest has never agreed to exchange VNXX traffic with CLEC.~~

---

7.3.4.4 CLEC may choose one (1) of the following two (2) options for the exchange of traffic subject to §251(b)(5) of the Act ("§251(b)(5) Traffic") (See Exhibit J):

7.3.4.4.1 The rates applicable to §251(b)(5) Traffic between Qwest and CLEC shall be the same as the rates established for ISP-bound traffic pursuant to **the rates established in the FCC ISP Remand Order.** ~~Section 7.3.6.2.3. Such rate for ISP-bound traffic will apply to §251(b)(5) Traffic in lieu of End Office Switch Call Termination rates, and Tandem Switched Transport rates.~~

7.3.4.4.2 The compensation rate for §251(b)(5) Traffic shall be as established by the Commission. The Parties shall cooperate in establishing a process by which §251(b)(5) Traffic and ISP-bound traffic will be identified in order to compensate one another at the appropriate rates and in a prompt manner (See Section 7.3.6).

~~7.3.4.5 The Parties will not pay reciprocal compensation on traffic, including ISP-bound traffic, when the traffic does not originate and terminate within the same Qwest local calling area (as approved by the Commission), regardless of the calling and called NPA-NXXs and, specifically, regardless whether an End User Customer is assigned an NPA-NXX associated with a rate center that is different from the rate center where the End User Customer is physically located (also known as "VNXX traffic"). Qwest's agreement to the terms in this paragraph is without waiver or prejudice to Qwest's position is that it has never agreed to exchange VNXX traffic with CLEC.~~

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO  
Judge Edward W. Nottingham

RECEIVED  
JUN 13 2005  
PEAKS & COE LLP  
UNITED STATES DISTRICT COURT  
DENVER, COLORADO

Civil Action No. 04-cv-00532-EWN-OES

AT&T COMMUNICATIONS OF THE MOUNTAIN  
STATES, INC., a Colorado corporation, and  
TCG-COLORADO, a New York partnership,

JUN 10 2005

GREGORY C. LANGHAM  
CLERK

Plaintiffs,

v.

QWEST CORPORATION, a Colorado corporation,  
THE PUBLIC UTILITIES COMMISSION OF THE STATE  
OF COLORADO,  
GREGORY E. SOPKIN, in his official capacity as Chairman  
of the Public Utilities Commission of the State of Colorado, and  
PAULETTE E. PAGE AND EDWARD JAMES DYER in their  
official capacities as Commissioners of the Public Utilities  
Commission of the State of Colorado,

Defendants.

---

**ORDER AND MEMORANDUM OF DECISION**

---

This is a judicial review of an agency decision. Plaintiffs AT&T Communications of the Mountain States, Inc. and TCG-Colorado allege that Defendants Public Utilities Commission of the State of Colorado, Gregory E. Sopkin, Paulette E. Page, and Edward James Dyer erred in their determination of the appropriate language AT&T and Defendant Qwest Corporation (“Qwest”) must use in their interconnection agreement.<sup>1</sup> This matter is before the court on the

---

<sup>1</sup>I refer to Plaintiffs AT&T Communications of the Mountain States, Inc. and TCG-Colorado collectively hereinafter as “AT&T” in the singular. I refer to Defendants Public Utilities Commission of the State of Colorado, Gregory E. Sopkin, Paulette E. Page, and Edward James Dyer collectively hereinafter as “CPUC” in the singular.

parties briefing, specifically “Brief of Plaintiffs AT&T Communications of the Mountain States, Inc. and TCG-Colorado,” filed August 24, 2004, and the responses thereto. Jurisdiction is based upon 47 U.S.C. § 252(e)(6) (2004), and 28 U.S.C. § 1331 (2004).

### FACTS

The Telecommunications Act of 1996 (the “Act”), 47 U.S.C. §§ 251–276, makes former monopoly telephone companies “subject to a host of duties intended to facilitate market entry. Foremost among these duties is the [carrier’s] obligation . . . to share its network with competitors.” *AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366, 371 (1999). The Act requires telecommunications carriers to interconnect directly or indirectly with the facilities and equipment of other telecommunications carriers. 47 U.S.C. § 251(a)(1) (2004). Specifically, the Act sets forth a system by which a competitive local exchange carrier (“CLEC”), a competitor of the former monopoly phone company, can negotiate and enter into a binding agreement for interconnection with an incumbent local exchange carrier (“ILEC”), the former monopoly phone company. 47 U.S.C. § 252(a).

AT&T is a CLEC, and Qwest is an ILEC under the terms of the Act. (Def. Qwest Corp.’s Resp. Br. at 1 [filed Oct. 4, 2004] [hereinafter “Qwest’s Resp.”].) Qwest and AT&T commenced negotiations to enter into an interconnection agreement, but reached an impasse on a number of issues. (Br. of Pls. AT&T Communications of the Mountain States, Inc. and TCG-Colorado at 8 [filed Aug. 24, 2004] [hereinafter “AT&T’s Br.”]; Answer Br. by State Defs. at 3 [filed Oct. 4, 2004] [hereinafter “CPUC’s Resp.”].) When there are unresolved issues over the terms of an interconnection agreement, any party to the interconnection agreement may petition the relevant state commission to arbitrate these unresolved terms. 47 U.S.C. § 252(b); *AT&T*, 525 U.S. at

371. Here, the relevant state commission is CPUC. Once the state commission reaches conclusions on the disputed issues, the parties must incorporate the state commission's conclusions into their final interconnection agreement. 47 U.S.C. § 252(b)(4)(C).

On July 7, 2003, Qwest filed a petition with CPUC to arbitrate the unresolved issues. (R. of Proceedings, Vol. 1 at 1–30 [Qwest Corp.'s Pet. for Arbitration] [filed July 15, 2004] [hereinafter "Admin. R."].) After a series of administrative reviews, CPUC issued its initial decision on October 14, 2003. (Compl. for Declaratory and Injunctive Relief, Ex. A [Initial Comm. Decision] [filed Mar. 19, 2004] [hereinafter "Compl."].)<sup>2</sup> CPUC then issued its decision on reconsideration on November 19, 2003. (*Id.*, Ex. B [Decision on Recons.].) In both decisions, CPUC sided with Qwest on the issues pertinent to this appeal.

On March 19, 2004, AT&T filed a complaint in this court, asserting that CPUC erred as to four of its conclusions in the proceedings below: (1) issue three, (2) issue nineteen, (3) issues fifteen and sixteen, and (4) issue seventeen. (Compl.) AT&T filed its opening brief in support of its allegations of error on August 24, 2004. (AT&T's Br.) Qwest and CPUC filed their response briefs on October 4, 2004, and AT&T filed its reply brief on November 3, 2004. (CPUC's Resp.; Qwest's Resp.; Reply Br. of Pls. AT&T Communications of the Mountain States, Inc. and TCG-Colorado [filed Nov. 3, 2004].) This matter is now fully briefed.

---

<sup>2</sup>CPUC's initial decision is also available on Westlaw. *See In re Qwest Corp.*, Docket No. 03B-287T, 2003 WL 22399647 (Colorado Public Utils. Comm. Oct. 14, 2003).



## ANALYSIS

### 1. *Jurisdiction and Standard of Review*

47 U.S.C. § 252(e)(6) provides that when a “[s]tate commission makes a determination under this section, any party aggrieved by such determination may bring an action in an appropriate [f]ederal district court to determine whether the agreement or statement meets the requirements of section 251 of this title and this section.” 47 U.S.C. § 252(e)(6). I must consider *de novo* whether the interconnection agreement complies with the Act and the implementing regulations. *Southwestern Bell Tel. Co. v. Brooks Fiber Communications of Okla., Inc.*, 235 F.3d 493, 498 (10th Cir. 2000); *US West Communications, Inc. v. Hix*, 986 F. Supp. 13, 19 (D. Colo. 1997). In such an analysis, I must defer to the Federal Communication Commission’s (“FCC”) regulations. *See, e.g., US West Communications, Inc. v. Hix*, 57 F. Supp. 2d 1112, 1117 (D. Colo. 1999).<sup>3</sup>

I review all other issues, such as the state commission’s findings of fact, under an arbitrary and capricious standard. *Michigan Bell Tel. Co. v. Strand*, 305 F.3d 580, 586 (6th Cir. 2002); *Southwestern Bell*, 235 F.3d at 498; *Southwestern Bell Tel. Co. v. Public Util. Comm’n*, 208 F.3d 475, 481–82 (5th Cir. 2000); *US West Communications v. MFS Intelenet, Inc.*, 193 F.3d 1112, 1117, 1124 n.15 (9th Cir. 1999); *US West*, 986 F. Supp. at 19. Under the arbitrary and capricious standard,

Generally, an agency decision will be considered arbitrary and capricious if the agency ha[s] relied on factors which Congress had

---

<sup>3</sup>As another district court noted in an unpublished decision, “[i]t is only a small exaggeration to say that — at least in this Circuit — if the FCC sneezes, the tissue has the force of law.” *Level 3 Communications LLC v. Public Utility Commission of Oregon*, CV 01–1818–PA, slip op. at 3–4 (D. Or. Nov. 25, 2002).

not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counter to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise.

*Friends of the Bow v. Thompson*, 124 F.3d 1210, 1215 (10th Cir. 1997) (internal quotation marks omitted) (citation omitted); *US West*, 986 F. Supp. at 18 (same).

## **2. Legal Analysis**

AT&T sets forth four arguments why CPUC erred. First, AT&T contends that CPUC erred in determining the reciprocal compensation rate regarding AT&T's switches. (AT&T's Br. at 9–14.) Second, AT&T asserts that CPUC erred in requiring a bill and keep rate for ISP-bound traffic under the *ISP Remand Order*. (*Id.* at 15–19.) Third, AT&T argues that CPUC erred in determining that Qwest could use AT&T's private line facilities without compensating AT&T. (*Id.* at 19–24.) Fourth, AT&T maintains that CPUC erred in excluding ISP-bound traffic from proportional use compensation under 47 C.F.R. § 51.709(b). (*Id.* at 24–32.) I address each argument in turn.

### **a. Reciprocal Compensation Rates Regarding AT&T's Switches**

First, AT&T contends that CPUC erred in determining the reciprocal compensation rate regarding AT&T's switches. (*Id.* at 9–14.) This was issue three in the proceedings below. In order to address AT&T's argument, I first provide the relevant legal and technological background on this issue. Then, I review CPUC's decision. Finally, I address whether CPUC erred in reaching its determination.

As background, when a customer of one carrier places a local telephone call to a customer of another carrier, the telephone call must go through both the network of the carrier for the

originating caller and the network of the carrier for the terminating caller. *See MCI Telecomms. Corp. v. Ohio Bell Tel. Co.*, 376 F.3d 539, 543 (6th Cir. 2004) (describing this process in general terms). The originating caller is the person who places the telephone call. *See, e.g., Level 3 Communications, LLC v. Colorado Public Utils. Comm'n*, 300 F. Supp. 2d 1069, 1072 (D. Colo. 2003). The terminating caller is the person who receives the call. *Id.* Thus, the typical telephone call that is routed through two networks begins (originates) on the network of the originating caller's carrier, and is completed (terminates) on the network of the terminating caller's carrier. *Id.* Since the originating party is the one who pays for the telephone call, the originating parties' carrier is the only one who receives compensation from the customer for the call. *MCI Telecomms.*, 376 F.3d at 543. However, this call uses not only the network of the originating customer's carrier, but also the network of the terminating customer's carrier. *Id.* Thus, in the absence of an agreement otherwise, the terminating customer's carrier is not compensated for the use of its network. *Id.*

In order to solve this problem so that the carrier who terminates the call is compensated, carriers enter into interconnection agreements, discussed above. *Id.* The Act requires the carriers to enter into "reciprocal compensation arrangements" to compensate each other for the completion of calls between their networks. *Id.* (quoting 47 U.S.C. § 251[b][5]). These reciprocal compensation rates must be "just and reasonable," which requires that they be "a reasonable approximation of the additional costs of terminating such calls." 47 U.S.C. § 252(d)(2)(A)(ii). The Act "left the task of implementing the 1996 Act, including the reciprocal rate provision, to the FCC." *MCI Telecomms.*, 376 F.3d at 543.

In 1996, the FCC published its governing regulations regarding reciprocal compensation,

which provided that rates be symmetrical between interconnected carriers. *Id.*; 47 C.F.R. § 51.711(a) (2004). For the purposes of the present motion, this symmetrical compensation structure depends upon the type of equipment used to transfer and complete a particular call. ILECs, which usually have older networks running on older technology, use either an “end-office” switch or a “tandem” switch to transfer and complete the call. *MCI Telecomms.*, 376 F.3d at 544; *Indiana Bell Tel. Co., Inc. v. McCarty*, 362 F.3d 378, 384 (7th Cir. 2004).<sup>4</sup> Routing a call through a tandem switch costs more than routing the same call through an end-office switch. *McCarty*, 362 F.3d at 384. CLECs, which usually have newer networks, often use newer technologies such as fiber rings or wireless networks instead of tandem or end-office switches. *MCI Telecomms.*, 376 F.3d at 544. Thus, for the purposes of determining symmetrical compensation, the FCC established a rule for deciding whether the CLEC’s switch “generally serves the same role as a tandem switch serves in the [ILEC]’s network.” *Id.* This rule states that “[w]here the switch of a carrier other than an [ILEC] serves a geographic area comparable to the area served by the [ILEC]’s tandem switch, the appropriate rate [used to calculate reciprocal compensation] for the carrier other than an [ILEC] is the incumbent [ILEC]’s tandem interconnection rate.” 47 C.F.R. § 51.711(a)(3). It is CPUC’s interpretation and application of this rule that forms the heart of the issue before the court.

In light of the foregoing background, I address CPUC’s decision. AT&T and Qwest disagreed upon the language in their interconnection agreement with regards to reciprocal

---

<sup>4</sup>The differences between these two switches, other than cost, is not particularly relevant to the present issues. Nevertheless, as a general matter, a “tandem switch acts as a hub connecting other switches and is generally able to handle calls over a broad geographic area. End-office switches, [on the other hand,] typically serve smaller geographic areas and fewer customers.” *MCI Telecomms.*, 376 F.3d at 544.

compensation. (Compl., Ex. A at ¶¶ 14–27 [Initial Comm. Decision].) Qwest’s proposed language was that AT&T’s switches would be considered to be tandem office switches for the purpose of determining reciprocal compensation rates to the extent that AT&T’s switches “*serve* a comparable geographic area as Qwest’s Tandem Office Switch.” (*Id.*, Ex. A at ¶¶ 14, 27 [Initial Comm. Decision] [emphasis added].)<sup>5</sup> AT&T’s proposed language was that its switches would be considered as tandem office switches for the purpose of determining reciprocal compensation rates to the extent that its switches are “*capable of serving*” a comparable geographic area to Qwest’s Tandem Office Switch. (*Id.*, Ex. A at ¶¶ 14, 27 [Initial Comm. Decision] [emphasis added].)

In choosing between the competing language, CPUC reviewed both parties’ arguments. (*Id.*, Ex. A at ¶¶ 15–25 [Initial Comm. Decision].) Of particular importance to the following analysis, with regards to an argument by AT&T, CPUC noted that

AT&T presents evidence in an attempt to persuade the Commission that its switches in Colorado are capable of serving a geographic area comparable to Qwest’s tandem switches. However, the Hearing Commissioner granted Qwest’s motion to strike the issue of whether AT&T’s switches qualify as tandem switches under the definition adopted by the Commission. Therefore, the Commission does not decide in this proceeding whether AT&T’s switches so qualify.

(*Id.*, Ex. A at ¶ 23 [Initial Comm. Decision] [footnote omitted].) This passage refers to an earlier decision in the CPUC proceedings where a CPUC hearing commissioner granted Qwest’s motion to strike the issue of whether AT&T’s switches qualify as tandem switches because AT&T’s “request is premature in that the Commission has not yet made a determination on the definition

---

<sup>5</sup>Although not relevant to this decision, it is unclear what type of a switch AT&T actually uses. (*See id.*, Ex. A at ¶¶ 14, 27 [Initial Comm. Decision]; Ex. B at ¶ 3 [Decision on Recons].)

of tandem office switch. In general, the purpose of an interconnection agreement arbitration is to determine appropriate *principles* governing the parties' relationship, not to apply specific *facts* to those principles." (Admin. R., Vol. 12 at 2408 [emphasis in original].)

After weighing the parties' arguments and one of its past rulings, CPUC chose Qwest's proposed language, explaining that

AT&T's argument centers on the decision made by the FCC's Wireline Competition Bureau in the *Virginia Arbitration Decision*<sup>6</sup> that a CLECs [sic] switch need only be capable of serving a geographical area that is comparable to that served by the incumbent LEC's tandem switch. The Colorado Commission is not bound by the Virginia arbitration ruling. We note that the FCC has not changed the language of Rule 51.711(a)(3); nor has the FCC released any orders that would extend the ruling made in the Virginia arbitration to all carriers.

(Compl., Ex. A at ¶¶ 26–27 [Initial Comm. Decision] [footnote added].)

After CPUC's decision, two different circuit courts addressed this issue. In *Indiana Bell Telephone Co., Inc. v. McCarty*, the Seventh Circuit found that the *Virginia Arbitration Decision* "requir[es] deference as the voice of the FCC interpreting its own rules," and determined that state public utility commission was correct in finding that the CLEC "only had to have the *ability* to serve and not *actually* be serving the same geographic area as" the ILEC. *McCarty*, 362 F.3d at 385–86 (emphasis in original). Likewise, in *MCI Telecommunications Corp. v. Ohio Bell Telephone Co.*, the Sixth Circuit found that the *Virginia Arbitration Order* "should be afforded deference," and held that 47 C.F.R. § 51.711(a)(3) requires the CLEC's switch "be capable of serving a comparable geographic area, as opposed to . . . [requiring] the new entrant [to] actually

---

<sup>6</sup>This decision is *In re Petition of WorldCom, Inc.*, 17 FCC Rcd. 27,039 (July 17, 2002) (hereinafter "*Virginia Arbitration Decision*").

serve customers in that area.” *MCI Telecomms.*, 376 F.3d at 548–50. Thus, under 47 C.F.R. § 51.711(a)(3), if the CLEC’s switch is capable of serving a comparable geographic area as the ILEC’s tandem switch, then the CLEC’s rate is the ILEC’s tandem interconnection rate.

While neither Qwest nor CPUC deny the legitimacy of the holdings of these two cases, they both argue that CPUC still reached the proper conclusion. (Qwest’s Resp. at 9–15; CPUC’s Resp. at 9–11.) This argument is premised on the assertion that the issue of whether AT&T’s switches qualify as a tandem switch under the interconnection agreement was not determined by CPUC. (*Id.*) Rather, according to Qwest and CPUC, CPUC merely permitted language in the interconnection agreement that follows the precise language of 47 C.F.R. § 51.711(a)(3). (*Id.*)

CPUC and Qwest’s argument as to this point misses the mark. CPUC’s decision was expressly decided on the mistaken assumption that the *Virginia Arbitration Order* is not controlling. (Compl., Ex. A at ¶ 26 [Initial Comm. Decision].) As CPUC noted earlier in this context, “the purpose of an interconnection agreement arbitration is to determine appropriate *principles* governing the parties’ relationship, not to apply specific *facts* to those principles.” (Admin. R., Vol. 12 at 2408 [emphasis in original].) Here, CPUC erred on the principles in light of the decisions of *Telephone Co., Inc. v. McCarty* and *MCI Telecommunications Corp. v. Ohio Bell Telephone Co.*

With the interconnection agreement language as it currently stands, read in light of the decision of CPUC, CPUC has set forth an improper analytical framework that will be applied to the facts in any future disputes over the geographic scope of AT&T’s switches. CPUC must correct its legally incorrect decision. Accordingly, I reverse and remand this case to CPUC to readdress issue one here, issue three below, consistent with this opinion, and the opinions of

*Telephone Co., Inc. v. McCarty* and *MCI Telecommunications. Corp. v. Ohio Bell Telephone Co.*

**b. Compensation Rate for ISP-Bound Traffic under the ISP Remand Order**

Second, AT&T asserts that CPUC erred in requiring a bill and keep rate for ISP-bound traffic under the *ISP Remand Order*. (AT&T's Br. at 15–19.) This was issue nineteen in the proceedings below. As background, the FCC determined that the reciprocal compensation mechanism, applied to local telecommunications traffic as discussed above, should not apply to ISP-bound traffic. *In re Implementation of Local Competition Provisions in Telecomms. Act of 1996*, 16 F.C.C.R. 9151 (2001) (hereinafter "*ISP Remand Order*"), *remanded but not vacated sub nom. WorldCom, Inc. v. FCC*, 288 F.3d 429 (D.C. Cir. 2002). ISP-bound traffic is traffic where a customer uses a computer and modem to place a call to an internet service provider ("ISP") in order to access the internet. *See Level 3*, 300 F. Supp. 2d at 1073. The FCC's decision is premised upon the peculiar nature of ISP-bound traffic. Unlike most telecommunications traffic, which is usually two-way, "ISPs typically generate large volumes of one-way traffic in their direction," because the ISP is almost never the originating caller, but rather is the terminating caller when people use the ISP's services. *WorldCom*, 288 F.3d at 431. Thus, reciprocal compensation may over-benefit the ISPs' carriers to the detriment of the originating callers' carriers. *Id.*

Due to the economic inefficiencies created by the peculiar nature of ISP-bound traffic, the FCC concluded that "a bill and keep approach to recovering the costs of delivering ISP-bound traffic is likely to be more economically efficient" than the typical reciprocal compensation method. *ISP Remand Order*, 16 F.C.C.R. at 9181 ¶ 67. A bill and keep approach "refers to an arrangement in which neither of [the] two interconnecting networks charges the other for



terminating traffic that originates on the other network.” *Id.* at 9204 n. 6. In simpler terms, the carrier billing the call to the customer (usually the originating caller’s carrier) gets to keep all of the money it bills for the call as opposed to having to pay a portion of this money to the other carriers who route the call through their networks. *See Newton’s Telecom Dictionary* 115 (21st ed. 2005).

The FCC, however, did not require that carriers immediately switch to the bill and keep method. Rather, in order to facilitate a smooth transition from the traditional reciprocal compensation method to the new bill and keep compensation method for ISP-bound traffic, the FCC “adopted several interim cost-recovery rules.” *WorldCom*, 288 F.3d at 431. The applicable rule in this case provides that “intercarrier compensation for ISP-bound traffic . . . rate will be capped at \$0.0007” per minute-of-use. *ISP Remand Order*, 16 F.C.C.R. at 9187 ¶ 78. This cost-recovery rule forms the center of the dispute between the parties on this issue.

CPUC decided that AT&T would not receive any compensation from Qwest for ISP-bound traffic. (Compl., Ex. A at ¶¶ 105–06, 110 [Initial Comm. Decision].) In other words, CPUC adopted a bill and keep compensation structure for ISP-bound traffic. (*Id.*) CPUC reached this decision on the basis that (1) it had previously determined for public policy reasons that the bill and keep method for ISP-bound traffic is superior, (2) the FCC was working towards the goal of exclusive use of the bill and keep method for ISP-bound traffic, and (3) it was within CPUC’s province under the *ISP Remand Order* to set the rate at zero, the bill and keep method. (*Id.*)

AT&T disagrees with CPUC’s conclusions, and argues that under the *ISP Remand Order*, CPUC must set the rate at \$0.0007 per minute-of-use. (AT&T’s Br. at 15–19.) In order to

determine the validity of AT&T's argument, I must determine whether the language in the *ISP Remand Order* supports AT&T's assertions or CPUC's decision. The *ISP Remand Order* repeatedly refers to the rate of compensation for ISP-bound traffic as a "cap." *ISP Remand Order*, 16 F.C.C.R. at 9156-57, 9187-94, 9199 ¶¶ 7, 8, 78, 80, 83-85, 89, 98. AT&T argues, however, that if read in context, the FCC did not intend this rate to actually be a cap, i.e. a ceiling defining the upper but not the lower limit of the rate. (AT&T's Br. at 18-19.) Rather, AT&T argues that the cap is the "prescribed rate[]" that the CLEC must receive from the ILEC, with only one specifically enumerated exceptions that is not applicable to this case. (*Id.*)

The *ISP Remand Order* provides, in relevant part, that the

intercarrier compensation for ISP-bound traffic . . . rate will be capped at \$.0007/mou. . . .

We also clarify that, because the rates set forth above are caps on intercarrier compensation, they have no effect to the extent that states have ordered LECs to exchange ISP-bound traffic either at rates below the caps we adopt here or on a bill and keep basis (or otherwise have not required payment of compensation for this traffic). [Footnote 152 is omitted and set forth below.] The rate caps are designed to provide a transition toward bill and keep or such other cost recovery mechanism that the Commission may adopt to minimize uneconomic incentives, and no such transition is necessary for carriers already exchanging traffic at rates below the caps. Moreover, those state commissions have concluded that, at least in their states, LECs receive adequate compensation from their own end-users for the transport and termination of ISP-bound traffic and need not rely on intercarrier compensation. . . .

The interim compensation regime we establish here applies as carriers renegotiate expired or expiring interconnection agreements. It does not alter existing contractual obligations, except to the extent that parties are entitled to invoke contractual change-of-law provisions. This Order does not preempt any state commission decision regarding compensation for ISP-bound traffic for the period prior to the effective date of the interim regime we adopt here. Because we now exercise our authority under section 201 to determine the appropriate intercarrier compensation for

ISP-bound traffic, however, state commissions will no longer have authority to address this issue.

*ISP Remand Order*, 16 F.C.C.R. at 9187–89 ¶¶ 78, 80, 82. Footnote 152 states:

Thus, if a state has ordered all LECs to exchange ISP-bound traffic on a bill and keep basis, or if a state has ordered bill and keep for ISP-bound traffic in a particular arbitration, those LECs subject to the state order would continue to exchange ISP-bound traffic on a bill and keep basis.

*Id.* at 9204 n. 152.

AT&T argues that since the following language in the *ISP Remand Order* — “because the rates set forth above are caps on intercarrier compensation, they have no effect to the extent that states have ordered LECs to exchange ISP-bound traffic either at rates below the caps we adopt here or on a bill and keep basis” and the language of footnote 152 — is set forth in the past tense, it only applies to decisions made by state commissions prior to the FCC’s promulgation of the *ISP Remand Order*. (AT&T’s Br. at 16–17.) Thus, according to AT&T, the word “cap” simply denotes that the rate can be lower than \$0.0007 per minute-of-use if the state commission so designated a rate prior to the *ISP Remand Order*. (*Id.* at 18–19.) AT&T argues that this position is bolstered by the language in the *ISP Remand Order* that “state commissions will no longer have authority to address this issue.” (*Id.* at 16.) Thus, according to AT&T, the cap is the mandatory rate for all state commission determinations after the FCC’s decision in the *ISP Remand Order*. (*Id.* at 18–19.)

While quite clever, AT&T’s argument is misplaced. The FCC specifically and repeatedly used the word “cap” when referring to the compensation rate for ISP-bound traffic. *ISP Remand Order*, 16 F.C.C.R. at 9156–57, 9187–94, 9199 ¶¶ 7, 8, 78, 80, 83–85, 89, 98. *Black’s Law*

*Dictionary* defines “cap” as “[a]n upper limit, such as a statutory limit on the recovery in a tort action or on the interest a bank can charge.” *Black’s Law Dictionary* 199 (7th ed. 1999). In other words, when an agency places a cap on a rate, that cap is the ceiling — the highest rate that a party can charge another party. It does not preclude a rate lower than the cap.

If the FCC intended to establish the \$0.0007 per minute-of-use rate cap as a mandatory rate, it could have simply stated that “the rate is” that amount. If it intended that there would be only one exception to such a mandatory rate as suggested by AT&T, it would have stated that there is an exception in the case of *ex ante* state commission decisions. The repeated use of the word “cap” to modify the word “rate,” in this court’s opinion, is the critical term that provides the context for the FCC’s other statements. The FCC’s above quoted statements in the past tense provide an example of the fact the stated rate is merely a cap — these statements do not indicate that they are the exclusive situations where the cap is indeed a cap as opposed to a mandatory rate. Moreover, the FCC’s statement that the “state commissions will no longer have authority to address this issue” refers to the state commission’s authority to reach a conclusion at odds with the FCC. *ISP Remand Order*, 16 F.C.C.R. at 9189 ¶ 82. Here, CPUC’s decision is not at odds with the FCC’s decision in the *ISP Remand Order*, because it sets the rate at zero, which is less than the \$0.0007 per minute-of-use cap.

Other portions of the *ISP Remand Order* support this conclusion. For example, in the *ISP Remand Order*’s executive summary, the FCC explains that “these rates are appropriate *limits* on the amounts recovered from other carriers.” *Id.* at 9156 ¶ 7 (emphasis added). The FCC’s use of the word “limit” to describe the nature of its promulgated rates further supports the fact that it meant for its promulgated rates to be the upper limit as opposed to the exclusive and mandatory

rate. Furthermore, in other parts of its order, the FCC uses the words “cap” and “ceiling” interchangeably, *id.* at 9156 ¶ 8, suggesting that the FCC views the word “cap” in its dictionary meaning — as a term to describe an upper limit or ceiling.

This conclusion, moreover, is in accord with the case law that indirectly addresses this issue. The parties have not presented any case law directly on point, and my research has also revealed no case law directly on point. The validity of the foregoing analysis, however, is confirmed by the *dicta* of another district court. A district court in the District of Connecticut, in *dicta*, interpreted the *ISP Remand Order* to mean that a state commission could set any rate it chose lower than the cap, but it could not choose a rate higher than the cap. *S. New England Tel. Co. v. MCI WorldCom Communications, Inc.*, 353 F. Supp. 2d 287, 295 (D. Conn. 2005) (“under the transitional regime established by the FCC, though the [state commission] may not declare ISP traffic subject to ‘reciprocal compensation’ under section 251(b)(5), it may still set rates for ISP compensation so long as those rates do not exceed the caps imposed by the *ISP Remand Order*.”); *see also Global NAPS, Inc. v. Verizon New England, Inc.*, 327 F. Supp. 2d 290, 300 (D. Vt. 2004) (stating in *dicta* that under the *ISP Remand Order*, “intercarrier compensation is at most \$.0007/mou.”) (emphasis added). For the foregoing reasons, CPUC acted within its authority in adopting a bill and keep compensation structure for ISP-bound traffic.

*c. Compensation for Use of Private Line Transport Facilities*

Third, AT&T argues that CPUC erred in determining that Qwest could use AT&T’s private line transport facilities without compensating AT&T. (AT&T’s Br. at 19–24.) This was issue fifteen and issue sixteen in the proceedings below. As background, when a call originates on one carrier’s network and terminates on a different carrier’s network, the call must switch

from the originating carrier's network to the terminating carrier's network. *See, e.g., Level 3*, 300 F. Supp. 2d at 1072. In order for the "call to switch from one network to the other, it must go through trunk and interconnection facilities. Trunks are cables . . . which connect the parties' networks so that traffic can be exchanged between them. The point where the call switches between networks is called the point of interconnection." *Id.* (citations omitted) (internal quotation marks omitted). As a general matter, the two carriers must share the costs of the interconnection facilities based upon their relative use of the interconnection facility. *See* 47 C.F.R. § 51.709(b); (Compl., Ex. A at ¶ 56 [Initial Comm. Decision]). Moreover, if two carriers share transmission facilities, the two carriers must share the costs of these facilities. *See* 47 C.F.R. § 51.507(c); (Compl., Ex. A at ¶ 56 [Initial Comm. Decision]).

In the case at hand, the point of interconnection at issue is at Private Line Transport Service ("PLTS") facilities.<sup>7</sup> (Compl., Ex. A at ¶¶ 55–56 [Initial Comm. Decision].) AT&T leased PLTS facilities from Qwest. (*Id.*, Ex. A at ¶ 67 [Initial Comm. Decision].) AT&T leased these facilities for long distance traffic. (*Id.*) AT&T, however, did not use all of the capacity of its leased PLTS facilities for long distance traffic. (*Id.*) Since these facilities had spare capacity, AT&T decided, with Qwest's permission, to use this spare capacity in the PLTS facilities for two-way local traffic. (*Id.*, Ex. A at ¶¶ 56, 67 [Initial Comm. Decision].) The result of AT&T's decision to use the spare capacity of the PLTS facilities for two-way local traffic is that both AT&T and Qwest's local traffic traveled through the PLTS facilities. (Admin. R., Vol. 10 at

---

<sup>7</sup>The parties have not set forth a precise description of a PLTS and various definitions of a private line or private line service, *see* 47 C.F.R. § 101.3 (2004); *Newton's Telecom Dictionary* 671 (21st ed. 2005), do not appear to comport with the term as used in this case. Nevertheless, based upon the facts set forth regarding the role of PLTS facilities, I can resolve all the matters before this court.

1906 [Answer Testimony of Brotherson]; see Compl., Ex. A at ¶¶ 56, 67 [Initial Comm. Decision].)

In the proceedings before CPUC, AT&T argued that Qwest must pay for the costs of its traffic on AT&T's leased PLTS facilities. (Compl., Ex. A at ¶¶ 57-59 [Initial Comm. Decision].) CPUC disagreed, and set forth the reasoning behind its decision in one paragraph.

This paragraph states, *in toto*:

Generally, we agree that costs of interconnection facilities should be shared by the users and that the fairest way to share those costs is by calculating a relative use factor. Here, however, even though there is no requirement for PLTS facilities leased for long distance traffic to be used as interconnection facilities, Qwest allows spare capacity in such leased facilities to also be used for local traffic. Because Qwest does not charge an additional amount to AT&T when AT&T chooses to use its spare capacity in leased PLTS facilities for local traffic, we agree with Qwest that there is no cost to share associated with these facilities, and the normal cost sharing for interconnection facilities should not apply. Further, we find that local traffic carried on spare capacity on leased PLTS facilities should not be accounted for in calculating a relative use factor.

(*Id.*, Ex. A at ¶ 67 [Initial Comm. Decision].) AT&T contends that CPUC erred in reaching this conclusion, and that this conclusion “ignores the controlling federal law and is arbitrary and capricious.” (AT&T's Br. at 22.)

Although not stated with absolute clarity, CPUC determined that AT&T did not incur any cost in choosing to have two-way local traffic on the PLTS facilities. (Compl., Ex. A at ¶ 67 [Initial Comm. Decision] [“we agree with Qwest that there is no cost to share associated with these facilities”].) There is testimony in the administrative record that supports the conclusion that AT&T incurs no costs in having two-way local traffic on the PLTS facilities. (Admin. R.,

Vol. 8 at 1454–55 [Direct Testimony of Brotherson], Vol. 10 at 1906 [Answer Testimony of Brotherson].<sup>8</sup> A challenge to this factual finding is under the arbitrary and capricious standard. *Michigan Bell*, 305 F.3d at 586; *Southwestern Bell*, 235 F.3d at 498; *Southwestern Bell*, 208 F.3d at 481–82); *US West*, 193 F.3d at 1117; *US West*, 986 F. Supp. at 19. AT&T has cited to no reason why this factual determination is arbitrary and capricious. Indeed, AT&T does not even cite to any portions of the administrative record in support of its contention. Accordingly, I find that CPUC’s determination on this point is not arbitrary and capricious.

Since CPUC properly determined under the arbitrary and capricious standard that AT&T incurs no costs in using two-way trunking for local calls on the PLTS, I must determine, *de novo*, whether CPUC erred under applicable law. AT&T argues that CPUC’s decision violates two FCC rules: 47 C.F.R. § 51.507(c) and 47 C.F.R. § 51.709(b). (AT&T’s Br. at 19–24.) 47 C.F.R. § 51.507(c) provides that “[t]he costs of shared facilities shall be recovered in a manner that efficiently apportions costs among users. Costs of shared facilities may be apportioned either through usage-sensitive charges or capacity-based flat-rated charges, if the state commission finds that such rates reasonably reflect the costs imposed by the various users.” 47 C.F.R. § 51.507(c) (2004). 47 C.F.R. § 51.709(b) provides that

---

<sup>8</sup>Qwest witness Larry B. Brotherson repeatedly testified to this fact. For example, he testified at one point that

[w]hen AT&T places its traffic on PLTS, AT&T pays the same charge for flat-rated transport with or without local interconnection traffic on the span. AT&T’s claim that Qwest should “share” this cost is misplaced. Because Qwest assess no additional charge when the AT&T [sic] elects the two-way PLTS option, AT&T has no cost to share.

(Admin. R., Vol. 10 at 1454 [Direct Testimony of Brotherson].)



[t]he rate of a carrier providing transmission facilities dedicated to the transmission of traffic between two carriers' networks shall recover only the costs of the proportion of that trunk capacity used by an interconnecting carrier to send traffic that will terminate on the providing carrier's network. Such proportions may be measured during peak periods.

47 C.F.R. § 51.709(b) (2004). Thus, both of these rules provide that, under certain circumstances, carriers must share the costs of facilities. 47 C.F.R. § 51.507(c); 47 C.F.R. § 51.709(b).

Here, CPUC determined that AT&T incurred no costs for Qwest's use of AT&T's leased PLTS facilities. (Compl.; Ex. A at ¶ 67 [Initial Comm. Decision].) As stated above, I must follow this factual determination. Since AT&T incurred no costs, there are no costs to share. Without costs to share, the FCC rules requiring carriers to share costs are simply inapplicable. Thus, Qwest need not pay AT&T for the use of these facilities because AT&T incurred no costs in using these facilities for the relevant two-way transport of local traffic. For the foregoing reasons, CPUC did not err in its decision on this issue.<sup>9</sup>

AT&T's citation to an unpublished decision of a district court in the District of Minnesota, which reached the opposite conclusion on a nearly identical issue, does not alter this analysis. (See Notice of Supplemental Authority [filed Apr. 18, 2005], Ex. 1 [*Qwest v. The Minnesota Public Utilities Commission, et al.*, Civil No. 04-1164 (JRT/SRN), slip op. (D. Minn. Mar. 31, 2005)].) In that case, the Minnesota Public Utilities Commission determined that AT&T incurred a cost when Qwest sent local traffic over AT&T's leased PLTS facilities. (*Id.*,

---

<sup>9</sup>Qwest raises several other arguments in support of CPUC's decision. (Qwest's Resp. at 25-27; 31-39.) Since AT&T's argument fails for the reasons set forth above, I need not address Qwest's other arguments.

Ex. 1 [*Qwest*, Civil No. 04-1164 (JRT/SRN), slip op. at 6-7].) The district court concluded that this factual determination by the Minnesota Public Utilities Commission was not arbitrary and capricious. (*Id.*) The district court's conclusion that the Minnesota's state commission's factual determination was not arbitrary and capricious is not inconsistent with this court's conclusion that CPUC's factual determination to the contrary was not arbitrary and capricious. In other words, the fact that two state commissions reached diametrically opposed factual conclusions does not mean that one of the decisions must be reversed when courts review both decisions under an arbitrary and capricious standard. Moreover, there is no indication that the Minnesota Commission's decision has any estoppel effect on CPUC's decision, or vice-versa. Accordingly, I affirm CPUC's decision as to this issue.

**d. Compensation under 47 C.F.R. § 51.709(b) for ISP-Bound Traffic**

Fourth, AT&T maintains that CPUC erred in excluding ISP-bound traffic from proportional use compensation under 47 C.F.R. § 51.709(b). (AT&T's Br. at 24-32.)<sup>10</sup> This was issue seventeen in the proceedings below. Briefly, this issue concerns the apportionment of costs for the facilities interconnecting AT&T and Qwest's networks. (*See* AT&T's Br. at 24-25; Qwest's Resp. at 21.) Each party's cost responsibility for these interconnection facilities is based

---

<sup>10</sup>The parties do not clearly enunciate the differences between this issue and the second issue in the present case. The differences between the two issues is pertinent because, at first glance, it would appear that there is significant legal overlap between the two issues. These two issues, however, rely upon different legal frameworks. In issue four in the present case, AT&T is requesting compensation from Qwest under the FCC regulations regarding reciprocal compensation for transport and termination of telecommunications traffic. In issue two, AT&T is requesting compensation from Qwest, not under the FCC regulations regarding reciprocal compensation for transport and termination of telecommunications traffic, but rather under the interim compensation mechanism set forth by the FCC in its *ISP Remand Order*. Thus, beyond the factual differences of the types of compensation at issue, these two issues differ on the legal foundation requiring the purported compensation. *But see Analysis* § 2.d. n.13, *infra*.

upon the amount of traffic originating on that party's network and sent to the other party's network over these facilities. (*Id.*) In its decision, CPUC excluded ISP-bound traffic from this cost allocation scheme. (Compl., Ex. A at ¶¶ 83–87 [Initial Comm. Decision].) AT&T argues that this decision is legally incorrect because ISP-bound traffic falls under the rubric of “traffic” as used in 47 C.F.R. § 51.709(b), and therefore when apportioning costs, the parties should include ISP-bound traffic. (AT&T's Br. at 24–32.)

This court addressed this precise issue in a previous case, *Level 3 Communications, LLC v. Colorado Public Utilities Commission*. *Level 3*, 300 F. Supp. 2d 1069. In *Level 3*, I determined that “ISP-bound traffic is not ‘telecommunications traffic’” as defined by the applicable FCC regulations regarding reciprocal compensation for transport and termination of telecommunications traffic. *Id.* at 1075–76. Next, I looked to whether the word “traffic” in 47 C.F.R. § 51.709(b) was “telecommunications traffic.” *Id.* at 1077–78. This issue is pertinent because the carriers only need to apportion cost under 47 C.F.R. § 51.709(b) for the transmission of “traffic.” As stated above, 47 C.F.R. § 51.709(b) provides that

[t]he rate of a carrier providing transmission facilities dedicated to the transmission of traffic between two carriers' networks shall recover only the costs of the proportion of that trunk capacity used by an interconnecting carrier to send traffic that will terminate on the providing carrier's network. Such proportions may be measured during peak periods.

47 C.F.R. § 51.709(b). Thus, if the word “traffic” in this regulation refers to “telecommunications traffic,” then ISP-bound traffic, which is not “telecommunications traffic,” is exempt from this rule. *Level 3*, 300 F. Supp. 2d at 1077–78. If ISP-bound traffic is exempt from this rule, then CLECs that service ISPs, such as AT&T, end up paying more for the

interconnection facilities. *Id.* Accordingly, a critical issue in both this case and *Level 3* is whether the word “traffic” in 47 C.F.R. § 51.709(b) refers to “telecommunications traffic.” *Id.*

In *Level 3*, I analyzed this issue as follows:

Qwest<sup>11</sup> argues that 47 C.F.R. § 51.709(b)’s reference to “traffic” means “telecommunications traffic” as defined in 47 C.F.R. § 51.701(b)(1). Naturally, *Level 3* disagrees with this proposition. Qwest provides no citations or arguments, beyond brief conclusory statements, to support the proposition that “traffic” under 47 C.F.R. § 51.709(b) means “telecommunications traffic.” *Level 3* provides no citations to support its contention that “traffic” is not “telecommunications traffic,” but does argue that the FCC must have intentionally chosen the word “traffic” when drafting 47 C.F.R. § 51.709(b), and that, logically, the word “traffic” has a broader meaning than “telecommunications traffic.” My own search of case law, and FCC decisions, reveals no explanation for the use of the word “traffic” as opposed to “telecommunications traffic” in 47 C.F.R. § 51.709(b). While it is a close call whether the word “traffic” in 47 C.F.R. § 51.709(b) means “telecommunications traffic,” or has a broader meaning, I conclude that it must refer to “telecommunications traffic.” The first part of the relevant regulations, 47 C.F.R. § 51.701(a), provides that “[t]he provisions of this subpart [which include 47 C.F.R. § 51.709(b)] apply to reciprocal compensation for transport and termination of *telecommunications traffic* between LECs and other telecommunications carriers.” 47 C.F.R. § 51.701(a) (emphasis added). In light of the fact that 47 C.F.R. § 51.709(b), therefore, can only apply to “telecommunications traffic,” under 47 C.F.R. § 51.701(a), 47 C.F.R. § 51.709(b)’s reference to “traffic” must be read to mean “telecommunications traffic.”

My decision is bolstered by the fact that in other contexts, the FCC has read 47 C.F.R. § 51.709(b) as congruent with 47 C.F.R. § 51.703(b).<sup>12</sup> *Qwest*, 252 F.3d at 468 (stating that “[t]he Commission reads § 51.709(b) as entirely congruent with §

---

<sup>11</sup>In *Level 3*, Qwest was the ILEC and *Level 3* was the CLEC that served many ISP customers.

<sup>12</sup>47 C.F.R. § 51.703(b), discussed in an earlier part of the *Level 3* decision, states that an “LEC may not assess charges on any other telecommunications carrier for *telecommunications traffic* that originates on the LEC’s network.” 47 C.F.R. § 51.703(b) (2004) (emphasis added).

51.703(b)” and citing *TSR Wireless*, 15 F.C.C.R. at 11182). The fact that these provisions have been read together in other contexts supports the notion that these provisions apply to the same “traffic” — “telecommunications traffic.”

*Id.* at 1078 (footnotes added) (citations to the record omitted) (second, third, and fourth alterations in original).

In the present case, AT&T argues that (1) *Level 3* was wrongly decided because of the lack of adequate briefing by the parties as noted in the decision, and (2) with proper briefing that it sets forth in this case, I will reach the opposite conclusion as the one I reached in *Level 3*. (AT&T’s Br. at 24–32.) In briefing this issue, AT&T sets forth four reasons why it believes that “traffic” in 47 C.F.R. § 51.709(b) does not mean “telecommunications traffic.” (*Id.*)

First, AT&T argues that 47 C.F.R. § 51.709(b) specifically uses the word “traffic” as opposed to “telecommunications traffic,” and therefore the FCC must have intended a different meaning. (*Id.* at 27–30.) This argument was raised, addressed, and rejected in *Level 3*, quoted above. *Level 3*, 300 F. Supp. 2d at 1077–78. AT&T has not proffered any new arguments not already discussed in *Level 3*.<sup>13</sup> Accordingly, AT&T’s contention as to this point fails.

---

<sup>13</sup>Indeed, *Level 3*’s conclusion is further supported by the *ISP Remand Order*. The *ISP Remand Order* specifically excludes ISP-bound traffic from reciprocal compensation obligations. *ISP Remand Order*, 16 F.C.C.R. at 9167 ¶ 35 (“we conclude that ISP-bound traffic is not subject to the reciprocal compensation provisions of section 251[b][5].”) Since 47 C.F.R. § 51.709(b) is under subpart H of the FCC rules on interconnection, and subpart H deals with “reciprocal compensation for transport and termination of telecommunications traffic,” it is likely that the FCC does not intend for 47 C.F.R. § 51.709(b) to apply to ISP-bound traffic because 47 C.F.R. § 51.709(b) is part of its reciprocal compensation scheme. Accordingly, the rule of 47 C.F.R. § 51.709(b) is inapplicable to ISP-bound traffic. While the vitality of this holding of the *ISP Remand Order* is subject to some doubt in light of *WorldCom*’s remand of the *ISP Remand Order*, see, e.g., *Level 3*, 300 F. Supp. 2d at 1076 (discussing the nature and issues of *WorldCom*’s remand of the *ISP Remand Order*), the *ISP Remand Order*’s conclusion still lends some further credence to *Level 3*’s pertinent holding.

Second, AT&T maintains that the quoted passage from *Qwest Corp. v. FCC* in the *Level 3* decision was only *dicta* and therefore does not provide support for the proposition that “traffic” in 47 C.F.R. § 51.709(b) means “telecommunications traffic.” (AT&T’s Br. at 30–31 [citing *Qwest Corp. v. FCC*, 252 F.3d 462, 468 (D.C. Cir. 2001)].) This argument is equally unpersuasive because the *Level 3* decision specifically acknowledged that “*in other contexts*, the FCC has read 47 C.F.R. § 51.709(b) as congruent with 47 C.F.R. § 51.703(b).” *Level 3*, 300 F. Supp. 2d at 1078 (emphasis added). Although it is only *dicta*, the statement in *Qwest* has some persuasive value. Thus, AT&T’s argument on this point is unavailing.

Third, AT&T contends that the result of the decision by CPUC below, and the decision in *Level 3*, is that costs are not efficiently allocated among carriers. (AT&T’s Br. at 31–32.) AT&T’s argument is ridiculous. In CPUC’s decision, CPUC set forth its policy rationale behind its determination that the terminating carrier in ISP-bound traffic should bear the costs of joint facilities. (Compl., Ex. A at ¶ 84 [Initial Comm. Decision].) AT&T supports its argument that CPUC’s policy rationale is incorrect with two conclusory and unsupported sentences. AT&T does not cite to the administrative record or any authority in support of its argument. Assuming, *arguendo*, that AT&T set forth a logical and detailed argument on this point supported by facts, it would still be unpersuasive in light of the FCC’s reasoning regarding the economic inefficiencies created by the one way nature of ISP-bound traffic. *See ISP Remand Order*, 16 F.C.C.R. at 9162 ¶¶ 20–21. Since AT&T has not presented any reasoned or supported argument on this point, I reject its argument.

Fourth, AT&T asserts that *Level 3* was erroneously decided because it is contrary to several decisions of public utility commissions in other states. (AT&T’s Br. at 32.) State public

utility commissions appear to be split on this issue. (*Compare id.* [collecting decisions]; *with* Qwest's Resp. at 48 [collecting decisions].) Thus, no clear consensus has emerged on this issue among state public utility commissions. (*Id.*) Accordingly, AT&T's argument as to this point provides no support for its conclusion that *Level 3* was wrongly decided and that CPUC erred.

Moreover, AT&T has not identified any courts that have reached a contrary conclusion to the one reached in *Level 3*. Therefore, the only case law precedent on this issue is in direct contradiction to AT&T's assertions. While district court opinions are not binding precedent, even if decided by the same judge, 18 James Wm. Moore et al., *Moore's Federal Practice* § 134.02[1][d] (3d ed. 1999 & Supp. 2005) ("A decision of a federal district court judge is not binding precedent in either a different judicial district, the same judicial district, or even upon the same judge in a different case."), the *Level 3* decision provides strong persuasive authority in support of the determination that "traffic" in 47 C.F.R. § 51.709(b) refers to "telecommunications traffic."

For the foregoing reasons, AT&T has provided no justification to depart from the analysis and conclusions set forth in *Level 3*. In accord with *Level 3*, I find that 47 C.F.R. § 51.709(b) does not apply to ISP-bound traffic. Consequently, AT&T is not entitled to proportional use compensation for its ISP-bound traffic on interconnection facilities. CPUC did not therefore err on this issue.

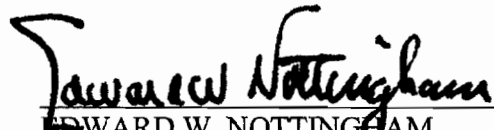
### **3. Conclusions**

Based on the foregoing it is therefore ORDERED that CPUC's decision is AFFIRMED in part and REVERSED in part. CPUC's decision is AFFIRMED as to (1) issue two in the present proceeding, issue nineteen below, (2) issue three in the present proceeding, issues fifteen and

sixteen below, and (3) issue four in the present proceedings, issue seventeen below. CPUC's decision is REVERSED and REMANDED for additional proceedings consistent with this opinion as to issue one in the present proceeding, issue three below.

Dated this 10 day of June, 2005.

BY THE COURT:

  
EDWARD W. NOTTINGHAM  
United States District Judge



IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO

Civil Action No. 04-cv-00532-EWN-OES

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Order and Memorandum of Decision signed by Judge Edward W. Nottingham on June 10, 2005 was served on June 10, 2005 by hand-delivery, where a "D.C." box number or asterisk (\*) is indicated after the recipient's name, by electronic mail to the electronic mail address specified where a double asterisk (\*\*) is indicated after the recipient's name, or otherwise by depositing it in the United States mail, postage prepaid, addressed to the recipient:

Magistrate Judge O. Edward Schlatter\*

Marcy G. Glenn, Esq.  
Holland & Hart LLP  
**D.C. Box 6**  
*Attorney for Plaintiffs*

Robert M. Pomeroy, Jr., Esq.  
Holland & Hart LLP  
8390 East Crescent Parkway, Suite 400  
Greenwood Village, CO 80111

David L. Lawson, Esq.  
Jacqueline G. Cooper, Esq.  
Sidley Austin Brown & Wood, L.L.P.  
1501 K Street, N.W.  
Washington, DC 20005

Anthony Marquez, Esq.  
First Assistant Attorney General  
Paul C. Gomez, Esq.  
Assistant Attorney General  
Public Officials Unit, State Services Section  
**D.C. Box 20**  
*Attorneys for Defendants Colorado Public  
Utilities Commission, Gregory E. Sopkin,  
Paulette E. Page, and Edward James Dyer*

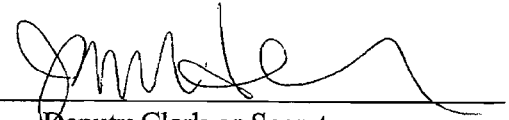
Elizabeth A. Woodcock, Esq.  
Perkins Coie, LLP  
1899 Wynkoop Street, Suite 700  
Denver, CO 80202-1043  
*Attorney for Defendant Qwest Corporation*

Winslow Waxter, Esq.  
Qwest Corporation  
1005 17<sup>th</sup> Street, Suite 200  
Denver, CO 80209

Kara M. Sacilotto, Esq.  
Mary Rose Hughes, Esq.  
Perkins Coie, LLP  
607 Fourteenth Street, N.W., Suite 800  
Washington, D.C. 20005-2011

GREGORY C. LANGHAM, CLERK

By



Deputy Clerk or Secretary