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**Carla M. Butler**  
Sr. Paralegal

February 8, 2006

Ms. Frances. Nichols-Anglin  
Administrative Hearings Division  
Oregon Public Utility Commission  
P. O. Box 2148  
Salem, OR 97308-2148

Re: UM 1217

Dear Ms. Nichols-Anglin:

On behalf of Qwest Corporation and Malheur Home Telephone Co., enclosed please find an original and (5) copies of its Reply Testimony of Peter Copeland, along with a certificate of service.

If you have any questions regarding this matter, please feel free to call me at your convenience. Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink that reads "Carla". The signature is written in a cursive, flowing style.

Carla M. Butler

CMB:cmb  
Enclosures

**BEFORE THE OREGON PUBLIC UTILITY COMMISSION**

**UM 1217**

In the Matter of )  
 )  
PUBLIC UTILITY COMMISSION OF )  
OREGON )  
 )  
Staff Investigation to Establish )  
Requirements for Initial Designation and )  
Recertification of Telecommunications )  
Carriers Eligible to Receive Federal )  
Universal Service Support. )

**REBUTTAL TESTIMONY**

**OF**

**PETER COPELAND**

**ON BEHALF OF**

**QWEST CORPORATION**

**AND MALHEUR HOME TELEPHONE COMPANY**

**February 8, 2006**

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1 **I. IDENTIFICATION OF WITNESS**

2  
3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Peter B. Copeland and my business address is 1801 California Street,  
5 Denver, Colorado 80202. I am employed by Qwest Services Corporation (“Qwest”)  
6 as Director, Cost and Economic Analysis, in the Public Policy organization.

7  
8 **Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.**

9 A. I have been employed by Qwest, its predecessor companies, and Bellcore for the past  
10 24 years. My experience with Qwest and Bellcore includes responsibility for the  
11 development of wholesale and retail cost studies, models of the local exchange  
12 network, universal service advocacy, jurisdictional separations, and rate development.

13  
14 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

15 A. I have a Bachelor of Arts degree from Brown University in Urban Studies and a  
16 Master of Public Administration from the University of Colorado.

17  
18 **Q. WHAT ARE YOUR CURRENT JOB DUTIES?**

19 A. My current responsibilities include policy analysis and development in the areas of  
20 universal service and regulatory costing. Additionally, I supervise the development of  
21 all wholesale and retail forward-looking cost studies for Qwest. My group also  
22 provides economic analysis for regulatory proceedings.

23

1       **Q.    HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION OR**  
2       **OTHER STATE COMMISSIONS?**

3       A.    I have not testified before the Oregon Commission but I have participated in a  
4       number of workshops in Oregon dealing with universal service and unbundled  
5       network elements. I have testified in other states, including Arizona, Colorado,  
6       Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Utah,  
7       Washington, and Wyoming. I have also appeared as a panel member before the FCC  
8       concerning Universal Service costing.

9  
10      **Q.    ARE YOU ADOPTING THE DIRECT TESTIMONY OF QWEST WITNESS**  
11      **DENNIS PAPPAS?**

12      A.    Yes.

13

14                                   **II.    PURPOSE OF TESTIMONY**

15

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

17      A.    The purpose of my testimony is to discuss issues where Qwest agrees or disagrees  
18      with Commission Staff's positions for Issue III.A., IIIA1., III.A.2., III.A.3., and  
19      IIIA.4. Additionally, my testimony provides clarification concerning Qwest's  
20      position on the re-certification of the receipt of Interstate Access Support by the  
21      Commission based on Staff's direct testimony.

22

**III. ISSUE III.A.**

**WHAT SPECIFIC REQUIREMENTS SHOULD THE COMMISSION ADOPT FOR  
ANNUAL RECERTIFICATION OF ETCs?**

**Q. AT STAFF/1, MARINOS/74, STAFF PROVIDES A SUGGESTED  
STREAMLINED APPROACH TO REPORTING REQUIREMENTS. DOES  
QWEST AGREE WITH THE SUGGESTED APPROACH?**

A. Qwest agrees with the general approach that Staff outlined, particularly as it relates to “minimizing the reporting burdens to the extent possible.” As it relates to current ETCs, Qwest wholeheartedly supports the Staff’s position that states: “If a requirement is already being met by some ETCs through reports currently submitted to the Commission, those ETCs should not have to resubmit or rework such reports. Instead, they should be able to reference the reports that meet the corresponding reporting requirements.” (Staff/1, Marinos/74, lines 6-10.)

**IV. ISSUE III.A.1.**

**SHOULD THE COMMISSION ADOPT ANY, OR ALL, OF THE FCC REPORTING  
REQUIREMENTS PROPOSED IN ORDER 05-46?**

**Q. AT STAFF/1, MARINOS/75-84, STAFF REVIEWS EACH OF THE FCC’S  
NINE REPORTING REQUIREMENTS AND MAKES GENERAL  
RECOMMENDATIONS ABOUT HOW SUCH RECOMMENDATIONS**

1           **SHOULD BE HANDLED IN OREGON. DOES QWEST CONCUR WITH**  
2           **STAFF’S RECOMMENDATIONS?**

3           A.     Generally, Qwest agrees with the direction and approach that Staff is recommending  
4           consistent with its overall approach of minimizing the reporting burdens. Some items  
5           require clarification, which Qwest addresses below.

6  
7           **Q.     WHICH OF THE FCC REPORTING ITEMS DOES QWEST WANT TO**  
8           **CLARIFY?**

9           A.     First, Qwest believes that the seventh FCC reporting requirement relative to “the  
10           number of requests for service from potential customers that were unfilled during the  
11           past year” is already reported by both Qwest and Malheur as part of the normal  
12           monthly service quality reporting. These types of orders are typically referred to as  
13           “held orders” for wireline service quality reporting. This type of monthly reporting  
14           should be all that is required of wireline carriers. Staff’s recommendation for  
15           reporting, outlined at Staff/1, Marinos/81, lines 1-10, is not necessary and is  
16           redundant for wireline carriers who already report monthly service quality results.

17  
18   **V.     ISSUE III.A.2.**  
19           **SHOULD THE COMMISSION ADOPT OTHER REPORTING REQUIREMENTS?**

20  
21           **Q.     DOES QWEST CONCUR WITH THE STAFF’S RECOMMENDATIONS**  
22           **RELATIVE TO ISSUE III.A.2?**

23           A.     Qwest generally supports Staff’s recommendation relative to other reporting  
24           requirements. In addition, Qwest believes that the additional proposed reporting

1 requirement of annual Lifeline and Linkup customers has recently been implemented  
2 by the Commission's Residential Service Protection Fund (RSPF) staff as part of their  
3 procedures; therefore, additional reporting may not be required beyond that.

4  
5  
6

**VI. ISSUE III.A.3.**

7 **SHOULD THE SAME REPORTING REQUIREMENTS APPLY TO ALL TYPES OF**  
8 **ETCs – ILEC ETCs AND COMPETITIVE ETCs?**

9

10 **Q. DOES QWEST AGREE WITH STAFF THAT COMPETITIVE NEUTRALITY**  
11 **PRINCIPLES DO NOT REQUIRE THAT ALL ETCs MUST HAVE THE**  
12 **SAME ANNUAL REPORTING REQUIREMENTS FOR UNIVERSAL**  
13 **SERVICE? (STAFF/1, MARINOS/89.)**

14 **A.** Qwest agrees with Staff that there is justification for differences between ILEC ETCs  
15 and CETCs. (Staff/1,Marinos/88-89.) Specifically, Qwest and Malheur support  
16 Staff's position that ILEC ETCs should not be required to submit formal network  
17 improvement plans given the evolution and structure of the current system of support.

18

19 **VII. ISSUE III.A.4.**

20 **SHOULD THE SAME REPORTING REQUIREMENTS APPLY REGARDLESS OF**  
21 **THE TYPE OF SUPPORT (TRADITIONAL HIGH-COST, INTERSTATE**  
22 **ACCESS/COMMON LINE, LOW INCOME) RECEIVED BY THE ETC?**

23



1       **Q.     WHAT ARE THE DIFFERENCES BETWEEN TRADITIONAL HIGH-COST**  
2       **SUPPORT AND INTERSTATE ACCESS SUPPORT?**

3       A.     As the FCC noted in its order adopting the CALLS plan<sup>1</sup> for price cap carriers, the  
4       existing high-cost support mechanism for rural and non-rural carriers provides  
5       support which enables states to ensure reasonably affordable and comparable  
6       *intrastate* rates, while the interstate access support (IAS) mechanism provides explicit  
7       support to replace the implicit universal service support that existed in *interstate*  
8       access charges.

9       The creation of the explicit *interstate* support was accomplished through an *interstate*  
10      rate rebalancing. Basically, the FCC ruled that it was not appropriate for LECs to  
11      recover the entire *interstate* portion of non-traffic sensitive cost of the local loop and  
12      switch port through *interstate* flat-rated charges (Subscriber Line Charges, or  
13      “SLCs”) to customers, and instead capped the level of the customer charge because of  
14      concerns that customers would disconnect their telephone service if the charge were  
15      too high. The IAS was designed to provide recovery of the costs above the SLC caps,  
16      though the fund does not provide for the full recovery of those costs.

17      In contrast, the traditional high cost support provides an expense offset for *intrastate*  
18      costs. This traditional support provides for affordable and comparable rates within  
19      the jurisdiction of the state commissions.

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<sup>1</sup> *In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service*; FCC 00-193, Sixth Report and Order in CC Docket Nos. 96-262, 94-1; Report and Order in CC Docket No. 99-249; Eleventh Report and Order in CC Docket No. 96-45, released May 31, 2000, ¶ 185.

1       **Q.    ARE THERE SIMILARITIES BETWEEN TRADITIONAL HIGH COST**  
2       **SUPPORT AND IAS?**

3       A.    Yes. As Staff noted, traditional federal high cost support has been granted based on  
4       ILEC costs or cost proxies, relative to benchmarks determined by the FCC. (Staff/1,  
5       Marionos/90.) IAS is similar in that it is a cost-based fund developed from capped  
6       SLC rates (which are equivalent to benchmarks) and distributed based on forward-  
7       looking cost-based UNE zone rates. ILECs are granted both traditional high cost and  
8       interstate access explicit support to meet the principle goal of universal service, which  
9       is to maintain quality services at affordable rates. The Telecommunications Act of  
10      1996 does not differentiate between affordable *interstate* and *intrastate* rates.

11  
12      **Q.    DOES QWEST AGREE WITH STAFF’S LOGIC AS TO WHY CERTAIN**  
13      **REPORTING REQUIREMENTS FOR TRADITIONAL HIGH COST**  
14      **SUPPORT SHOULD NOT APPLY TO ILEC ETCs AND CAN STILL BE**  
15      **COMPETITIVELY NEUTRAL?**

16      A.    Yes, Qwest agrees with Staff that competitive neutrality does not mean all ETCs must  
17      have the same annual reporting requirements. Staff accurately observes that ILEC  
18      ETCs are not expected to use universal service funds to expand their networks, but to  
19      maintain acceptable service, network quality, affordable rates, and meet carrier of last  
20      resort obligations, given the evolution and structure of the current system of support.

21      Further, at Staff/1, Marionos/74, Staff states: “Reports should not be required from one  
22      set of ETCs merely because another set of ETCs are already required to submit them

1 to the Commission. Rather, alternative reports that are most suitable for meeting the  
2 same general requirement should be permitted if appropriate.”

3

4 **Q. WHAT IS STAFF’S MAJOR CONCERN WITH THE CURRENT**  
5 **REPORTING REQUIREMENTS FOR IAS AND LOW-INCOME SUPPORT?**

6 A. Staff expressed its major concern at Staff/1, Marinos/92: “Of special concern is the  
7 need to monitor the performance of CETCs in non-rural ILEC service areas since  
8 they are subject to little ongoing regulatory oversight.”

9

10 **Q. STAFF PROPOSES THAT ETCs THAT RECEIVE ACCESS-RELATED**  
11 **UNIVERSAL SERVICE SUPPORT BE REQUIRED TO REPORT**  
12 **ANNUALLY TO THE COMMISSION, EVEN THOUGH THE COMMISSION**  
13 **IS NOT INVOLVED WITH THEIR RECERTIFICATION TO THE FCC.**

14 **WHAT IS QWEST’S POSITION ON THIS ISSUE?**

15 A. Qwest would support an annual Commission re-certification for IAS, as long as the  
16 ILECs receiving it are subject to the same reporting treatment as ILECs recertifying  
17 traditional high cost support. This is consistent with Staff’s position because, unlike  
18 CETCs, ILECs are not building out their networks, but maintaining acceptable  
19 service, network quality and affordable rates in high cost areas. (Staff/1 Marinos/90.)

20

21 **Q. DOES THE COMMISSION CURRENTLY RECEIVE SUFFICIENTLY**  
22 **DETAILED REPORTS FROM QWEST TO INFORM THE COMMISSION**  
23 **OF QWEST’S SERVICE QUALITY, LOW-INCOME PROGRAMS,**

1           **EMERGENCY CAPABILITIES, THE COMPARABILITY OF URBAN AND**  
2           **RURAL SERVICES, AND THE AFFORDABILITY OF SERVICE?**

3           A.     Yes. Qwest and Malheur both currently provide Annual Reports of Operations (both  
4           provide Form O and Malheur Form 1), monthly service quality reports and  
5           construction budget (Qwest only), among others. These reports cover all the areas of  
6           interest to the Commission discussed in this docket. No further reporting from Qwest  
7           should be required.

8

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

10          A.     Yes.

## CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing QWEST CORPORATION and MALHEUR HOME TELEPHONE CO.'S REPLY TESTIMONY OF PETER COPELAND was served on the 8<sup>th</sup> day of February, 2006 via U.S. Mail, by mailing a correct copy to them in a sealed envelope, with postage prepaid, addressed to them at their regular office address shown below, and deposited in the U.S. post office at Portland, Oregon.

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Dated this 8<sup>th</sup> day of February, 2006.

Qwest Corporation  
Malheur Home Telephone Co.



by: \_\_\_\_\_

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