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IDAHO PUBLIC
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

AT&T COMMUNICATIONS OF THE MOUNTAIN)
STATES, INC.,)

Complainant)

vs.)

QWEST CORPORATION,)

Respondent.)

CASE NO. QWE-T-06-17

**DIRECT TESTIMONY OF
GREGORY W. NAGROSST ON
BEHALF OF AT&T
COMMUNICATIONS OF THE
MOUNTAIN STATES, INC.**

August 16, 2007

1 **I. INTRODUCTION**

2
3 **Q. Please state your name for the record.**

4 A. My name is Gregory Nagrosst.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by AT&T Services, Inc. as Executive Director – Accounting. In
7 that capacity I have familiarity with the payment records of AT&T
8 Communications of the Mountain States, Inc., a subsidiary of AT&T Inc.

9 **Q. Please briefly describe your job responsibilities.**

10 A. Currently and for the last few years, I have been the Executive Director –
11 Accounting in AT&T Services, Inc. Controller’s organization with responsibility
12 for overseeing the accounting for traffic compensation between carriers, including
13 inter and intrastate access and local service products such as UNEs. This includes
14 accounting for the payments to access providers, such as Qwest, and international
15 carriers for use of that provider’s network.

16 **Q. Please briefly describe your educational background.**

17 A. I am a Certified Public Accountant as well as Certified Management Accountant,
18 with an MBA from Farleigh Dickenson University in 1993 and Bachelor of
19 Science degree from Kean University in 1987. As a CPA, I am required to take
20 continuing professional education annually.

21 **Q. Please briefly describe your work experience.**

22 A. Beginning July 1987, I worked for the State of New Jersey as an auditor. I then
23 spent a year as an internal auditor for First Atlantic Bank Corp. After leaving
24 First Atlantic Bank Corp., I began work for AT&T Corp. My total career with

Nagrosst. Di-1
AT&T Communications of
the Mountain States, Inc.

1 AT&T spans over 16 years in the accounting department performing various
2 functions. My first role with AT&T was as an assistant manager responsible for
3 consolidations and eliminations of inter-company transactions. Since that time I
4 have held positions with a wide variety of responsibilities ranging from revenue
5 accounting and recognition to accounting policy, including writing the schedule
6 of authorizations. For the past four years I have had my current responsibilities.

7 **Q. What is the purpose of your testimony?**

8 A. My testimony is offered to describe the services AT&T Communications of the
9 Mountain States, Inc., purchased from Qwest Corporation ("Qwest") in Idaho
10 during the time period from November 1, 2000, through December 31, 2005, as
11 well as variations of this timeframe. For ease of reference, I will refer to AT&T
12 Communications of the Mountains States, Inc., as "AT&T." I also discuss the
13 amount AT&T would have saved if given the opportunity to take the same 10%
14 discount on the services it purchased from Qwest that Qwest gave to certain other
15 carriers.

16 **II. AT&T'S COMPLAINT GENERALLY**

17 **Q. Are you generally familiar with AT&T's complaint against Qwest in this
18 proceeding?**

19 A. Yes. I understand that the Minnesota Public Utilities Commission found that
20 Qwest offered at least two competitors of AT&T (McLeodUSA and Eschelon)
21 secret discounts in undisclosed interconnection agreements. I understand that
22 McLeod and Eschelon essentially enjoyed a 10% discount on all the services they

1 purchased across the Qwest territory, including in Idaho. AT&T was not given
2 the opportunity for and did not receive a similar deal in Idaho or in any of the
3 Qwest in-region states. AT&T's complaint is based upon these deals.

4 **Q. What is AT&T asking the Commission to do in this case?**

5 A. I am not an attorney or offering a legal opinion, but it is my understanding that
6 AT&T's position is that because AT&T, under its interconnection agreement with
7 Qwest,, should have had an opportunity to opt into these discount agreements but
8 was prevented from doing so by Qwest, AT&T is asking the Idaho Commission to
9 award it relief as is proper and explained in AT&T's complaint.

10 **III. AT&T'S PURCHASE OF SERVICES FROM QWEST**

11 **Q. What services did AT&T purchase from Qwest in Idaho during the**
12 **November 2000 through December 2005 time frame, roughly the original**
13 **term of the agreement between Qwest and Eschelon?***

14 A. Throughout that time frame AT&T purchased wholesale local services and
15 intrastate switched and private-line access services from Qwest.

16 **Q. During that same time frame, did AT&T purchase similar services across the**
17 **Qwest 14-state territory?**

18 A. Yes, it did.

19 **Q. Do you know the approximate total amount AT&T paid Qwest across its 14-**
20 **state territory for those services during the November 2000 through**
21 **December 2005 time frame?**

* The secret discount agreements between Qwest and Eschelon and Qwest and McLeod discussed herein are the same agreements discussed at length by Mr. Deanhardt in his direct testimony.

1 A. Yes, as indicated in confidential Exhibit Nagrosst - 76, which shows AT&T's
2 relevant aggregate purchases from Qwest by month, for the November 2000
3 through December 2005 timeframe, it was **CONFIDENTIAL INFORMATION**
4 **BEGINS [**] **END CONFIDENTIAL**
5 **INFORMATION** related to intra-state access and local traffic with the balance
6 being paid for inter-state access services.

7 **Q. How much did AT&T pay Qwest in Idaho for the services it purchased**
8 **during that same time frame?**

9 A. The attached confidential spreadsheet, Exhibit Nagrosst - 76, details the amount
10 AT&T paid to Qwest for intra-state access and local wholesale local services for
11 each relevant month in Idaho. From November 1, 2000, to December 31, 2005,
12 AT&T paid to Qwest **CONFIDENTIAL INFORMATION BEGINS [**
13 **] CONFIDENTIAL INFORMATION ENDS** for intra-state access and local
14 traffic.

15 **Q. Had AT&T received a 10% discount on the services it purchased in Idaho**
16 **from November 1, 2000, through December 31, 2005, how much money**
17 **would it have saved?**

18 A. For the relevant services, AT&T and would have saved **CONFIDENTIAL**
19 **INFORMATION BEGINS [**] **CONFIDENTIAL INFORMATION**
20 **ENDS** for intrastate access and local traffic.

1 **Q. How much did AT&T pay Qwest in Idaho for the services it purchased**
2 **during the November 2000 through December 2003 time frame, roughly the**
3 **original term of the agreement between Qwest and McLeod?**

4 A. As demonstrated in the attached confidential spreadsheet, Exhibit Nagrosst - 76,
5 from November 1, 2000, through December 31, 2003, AT&T paid to Qwest
6 **CONFIDENTIAL INFORMATION BEGINS [] CONFIDENTIAL**
7 **INFORMATION ENDS** for intra-state access and local traffic.

8 **Q. Had AT&T received a 10% discount on the services it purchased in Idaho**
9 **from November 1, 2000, through December 31, 2003, how much money**
10 **would it have saved?**

11 A. AT&T would have saved **CONFIDENTIAL INFORMATION BEGINS**
12 **[] CONFIDENTIAL INFORMATION ENDS** on intra-state
13 access and local services.

14 **Q. How much did AT&T pay Qwest in Idaho for the services it purchased**
15 **during the November 2000 through June 2002 time frame, the actual term of**
16 **Qwest's agreement with McLeod?**

17 A. As demonstrated in the attached confidential spreadsheet, Exhibit Nagrosst - 76,
18 from November 1, 2000, through June 30, 2002, AT&T paid to Qwest
19 **CONFIDENTIAL INFORMATION BEGINS [] CONFIDENTIAL**
20 **INFORMATION ENDS** for intra-state access and local traffic.

1 **Q. Had AT&T received a 10% discount on the services it purchased in Idaho**
2 **from November 1, 2000, through June 30, 2002, how much money would it**
3 **have saved?**

4 A. AT&T would have saved **CONFIDENTIAL INFORMATION BEGINS [**
5 **] CONFIDENTIAL INFORMATION ENDS** for intra-state
6 access and local services.

7 **Q. Please describe how you arrived at the amount AT&T purchased from**
8 **Qwest in Idaho.**

9 A. I reviewed the payments AT&T made to Qwest for services rendered to AT&T
10 from November 1, 2000, to December 31, 2005; the payments were categorized
11 by state by month for inter-state and intra-state access and local traffic. To
12 determine the savings AT&T would have received had it been given a 10%
13 discount, for the time frames listed above, I multiplied each relevant category -
14 intra-state and local - by 10%.

15 **Q. If you were to add interest to the amount AT&T would have saved, how**
16 **much interest would that be?**

17 A. The interest that AT&T would receive on the discount amount for the services
18 that AT&T purchased from Qwest during the November 1, 2000, to December 31,
19 2005 timeframe is **CONFIDENTIAL INFORMATION BEGINS []**
20 **CONFIDENTIAL INFORMATION ENDS.** The interest that AT&T would
21 receive for the discount amount on the services that AT&T purchased from Qwest
22 during the November 1, 2000, to December 31, 2003 timeframe is

1 **CONFIDENTIAL INFORMATION BEGINS [] CONFIDENTIAL**
2 **INFORMATION ENDS.** The interest that AT&T would receive for the discount
3 amount from the services that AT&T purchased from Qwest during the November
4 1, 2000, to June 30, 2002 timeframe is **CONFIDENTIAL INFORMATION**
5 **BEGINS [] CONFIDENTIAL INFORMATION ENDS.**

6 **Q: Please describe how you arrived at that amount.**

7 A. First I calculated the 10% discount off payments AT&T made to Qwest for the
8 purchase of intra-state access and local traffic for each month and then applied
9 1.5% simple interest or 18% annually to the 10% discount amount. The interest
10 was calculated from one month after the service period until the end of June 2007.

11 **Q. Why did you use 1.5% interest rate?**

12 A. Section 3 of the Agreement for Local Wireline Network Interconnection and
13 Service Resale between AT&T and Qwest (U S West) in the State of Idaho for the
14 relevant time period sets forth the payment provisions, including late payment
15 charges. Exhibit Nagrosst - 77. Pursuant to this section, if AT&T pays the billed
16 balance on time, but the amount of the billed balance is reasonably disputed by
17 AT&T, and it is later determined that a refund is due AT&T, interest shall be
18 payable on the refunded amount in the amount of 1.5% per month.

19 **IV. CONCLUSION**

20 **Q. Does this conclude your direct testimony?**

21 A. Yes.

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EXHIBIT

NAGROSST-76

CONFIDENTIAL

ID0008: 01 ID USW ATT AGREEMENT WITH LINKS**States:** ID

ILEC-RBOC: US West (n/k/a Qwest Corporation)

CLEC: AT&T (pre-merger)

Signed: 8/12/1998**Filed:** 7/11/1998**Approved:** 9/15/1998

Archived

Negotiated

NewEntrant

Files:

01 ID USW ATT AGREEMENT WITH LINKS

02 ID USW ATT Price List

03 ID USW ATT Signatures

ID Qwest-ATT Amendment No. 1

ID Qwest-ATT Amendment No. 1 Approval Order

Description:

Interconnection Agreement - US West/AT&T. 10/19/00

Amendment No. 1 filed 11/13/00 and 1/25/01 Amendment No.

1 Approval Order. Amendment No. 2 added 7/20/01.

Amendment No. 3 added 10/28/02.

ID Qwest-ATT Amendment No. 2

ID Qwest-ATT Amendment No. 3

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Nagrosst, G. – Exhibit 77
 Case No. QWE-T-06-17
 AT&T Communications of
 The Mountain States, Inc.

**AGREEMENT
FOR LOCAL WIRELINE NETWORK INTERCONNECTION
AND
SERVICE RESALE
Between
AT&T Corp.
and
U S WEST Communications, Inc.
in the State of Idaho**

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After there is a final court determination interpreting Section 252(i) of the Act, the Parties agree to revise this Section 2.1 to reflect such interpretation

3. Payment

- 3.1 *In consideration of the services provided by U S WEST under this Agreement, AT&T shall pay the charges set forth in Attachment 1 to this Agreement. The billing procedures for charges incurred by AT&T hereunder are set forth in Attachment 5 to this Agreement.*
- 3.2 *Amounts payable under this Agreement, unless reasonably disputed, are due and payable within thirty (30) days after the date of U S WEST's invoice or within twenty (20) days of receipt of the invoice, whichever is later. If the payment due date is not a Business Day, the payment shall be made the next Business Day.*
- 3.3 *A late payment charge of 1.5% applies to all billed balances, not reasonably disputed, which are not paid within the applicable time period set forth in Section 3.2 above. To the extent AT&T pays the billed balance on time, but the amount of the billed balance is reasonably disputed by AT&T, and, it is later determined that a refund is due AT&T, interest shall be payable on the refunded amount in the amount of 1.5% per month. To the extent AT&T pays the billed balance on time, but the amount of the billed balance is reasonably disputed by AT&T, and, it is later determined that no refund is due AT&T, no interest shall be payable on the disputed amount.*
- 3.4 *Late payment charges shall not be used as a "credit" to a deposit, if any, without the express approval of U S WEST.*
- 3.5 *Unless specified otherwise in this Agreement, U S WEST shall bill all amounts due from AT&T for each resold service in accordance with the terms and conditions as specified in the U S WEST tariff.*

4. Taxes

- 4.1 *Any federal, state or local excise, sales, or use taxes (excluding any taxes levied on income) resulting from the performance of this Agreement shall be borne by the Party upon which the obligation for payment is imposed under applicable law, even if the obligation to collect and remit such taxes is placed upon the other Party. Any such taxes shall be shown as separate items on applicable billing documents between the Parties. The Party so obligated to pay any such taxes may contest the same in good faith, at its own expense, and shall be entitled to the benefit of any refund or recovery, provided that such Party shall not permit any lien to exist on any asset of the other Party by reason of the contest. The Party obligated to collect and remit taxes shall cooperate fully in any such contest by the other Party by providing records, testimony and such additional information or assistance as may reasonably be necessary to pursue the contest. To the extent a sale is claimed to be for resale tax exemption, the purchasing Party shall furnish the providing Party a proper resale tax exemption certificate as authorized or required by statute or regulation by the jurisdiction providing said resale tax exemption. Failure to timely provide said resale tax exemption certificate will result in no exemption being available to the purchasing Party during the applicable reporting period.*

5. Intellectual Property¹²

¹² Per Third Order, at pp. 1-2
USWC/AT&T Interconnection Agreement - Idaho