

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)
) CC Docket No. 00-4
Application by SBC Communications Inc.,)
Southwestern Bell Telephone Company,)
And Southwestern Bell Communications)
Services, Inc. d/b/a Southwestern Bell Long)
Distance for Provision on In-Region)
InterLATA Services in Texas)

AFFIDAVIT OF KELSIE W. REEVES

STATE OF TEXAS)
)
COUNTY OF TRAVIS)

1. "My name is Kelsie W. Reeves. My business address is 8000 Centre Park Drive, Suite 160. My title is Vice President Regulatory, SW Region.

PROFESSIONAL EXPERIENCE AND EDUCATIONAL BACKGROUND

2. Presently I am responsible for regulatory policy, government relations and ILEC relations in the Southwest Region of the Time Warner Telecom (TWTC, the Company) service area.
3. I began working for TWTC in 1995. I have a variety of responsibilities including establishing interconnection agreements with the incumbents who operate in our service area, obtaining the necessary certifications and authorizations with state and local government entities and managing the contractual relationships required to do business. I have represented TWTC in numerous dockets in California and Texas.
4. Prior to joining TWTC I held a number of staff positions with the Texas Legislature.

5. I earned a bachelor's degree in political science and philosophy from the University of Texas in 1990.

INTRODUCTION AND DESCRIPTION OF TWTC

6. TWTC is a facilities-based CLEC doing business in 21 metropolitan markets in nine states across the nation. TWTC offers a wide range of business telephony services, primarily to medium- and large-sized telecommunications-intensive business end-users, long distance companies, Internet Service Providers, competitive local exchange companies, wireless communications companies and government entities. The Company's services include dedicated transmission, local switched, long distance, data and video transmission services and high-speed dedicated Internet access.
7. The Company began doing business in 1993 under the ownership and management control of Time Warner Cable. In 1995, these operations were acquired by Time Warner (TW) and Time Warner Entertainment-Advanced Newhouse (TWE-AN) and the Company began operating as a separate business instead of as a division of the Cable company. In July 1998, Time Warner Telecom, LLC was formed through a reorganization of the assets and liabilities of the telecom business, which were previously owned by TW and TWE-AN (Former Parent Companies). In connection with the reorganization, the assets and liabilities of the Company's business were contributed to the Company by the Former Parent Companies and Time Warner, Media One and Newhouse received 61.9%, 18.9% and 19.2% of interest in the company. On May 10, 1999 the Company was reconstituted as a Delaware corporation through a merger with a newly formed Corporation, Time Warner

Telecom, Inc. On May 14, 1999 the Company completed an initial public offering. A portion of the proceeds was used to repay loans from the Former Parent Companies that were generated to finance the Company through July 1998. Presently, the ownership interests of the Company are 48.1% by Time Warner, 14.6% by Media One, 14.9% by Advanced Newhouse, and 22.5% primarily held by the Public.

8. As indicated above Time Warner, Inc. does have an “ownership interest” in TWTC. However, TWTC operates as a stand-alone company. TWTC benefits from its relationship with the Former Parent Companies through network facilities access. TWTC’s networks have been constructed primarily through the use of fiber capacity licensed from the Former Parent Companies. The Company licenses the right to use the majority of its fiber optic cable from TWE and TWE-AN. Under this arrangement TWTC reimburses TWE and TWE-AN for facility and maintenance and pole rental costs.
9. Since the completion of the reorganization and creation of TWTC, TWTC is charged for services provided by the Former Parent Companies, these costs are based on contracts between the companies. In the Affidavit of John S. Habeeb, SWBT continues to rely on incorrect information even though TWTC has provided correct information to SWBT numerous times as well as correcting the information in the Texas record. Below is the incorrect information supplied by SWBT followed by the correct information, which is available in numerous public filings.

Time Warner Nationwide Profile

Corporate Headquarters	New York, City, NY ¹
1998 Revenues ²	\$26.8 billion
1998 Capital Expenditures ³	\$2.1 million
1998 Total Assets ⁴	\$53.9 billion
Number of Employees ⁵	67,534

Time Warner Telecom Nationwide Profile

Corporate Headquarters	Greenwood Village, Colorado
1998 Revenues ⁶	\$177.2 million
1998 Capital Expenditures ⁷	\$138.3 million
1998 Total Assets ⁸	\$311.3 million
Number of Employees ⁹	898

10. The capacity license agreement described above precludes TWTC from offering residential services or content services with the capacity licensed from Time Warner Cable.

11. TWTC does business in four cities in Texas. The Company has offered service in Austin since April 1997, in Houston since September 1997, in San Antonio since November 1997, and in Dallas since November 1999.

¹ SWBT listed Time Warner Inc as Greenwood Village , Colorado.

² Time Warner Annual Report (1998), p. 88

³ *Id.* at p. 89

⁴ *Id.*

⁵ Time Warner Web Site, "Time Warner Fact Book" (1999)

⁶ Time Warner Telecom 3rd Quarter 1999 10Q p.6

⁷ *Id.* at p. 17

⁸ *Id.* at p.19

⁹ Yahoo *Finance* Profile:Time Warner Telecom (as of 12/98)

INTERCONNECTION TRUNKS

12. As a facilities-based company that offers services primarily over its own network, the primary services obtained from SWBT are interconnection facilities, or trunks, used to connect the TWTC and SWBT networks.
13. As SWBT recognizes on page 72 of its brief in support of its application, the most fundamental prerequisite for local exchange competition is the ability for CLECs to send their customers' calls, and to receive calls from, customers of the incumbent carrier. SWBT goes on to document the number of existing collocations and the number of existing interconnection trunks. TWTC entered the market as quickly as possible once the legal barriers to doing business were eliminated. When SWBT began the process to gain approval to provide long distance service, TWTC already had multiple collocations in its markets and had already established interconnection trunks between its network and SWBT's network. However, as I testified at the TPUC hearing in April 1998, obtaining collocation space and establishing interconnection trunks is only the beginning. If CLECs are not able to continue to grow these interconnection and trunking arrangements *in a timely manner to meet customer demand*, competition may have been introduced into a market, but it will not be able to survive. TWTC's goal in participating in SWBT's 271 application is to ensure its ongoing ability to expand its service offerings and grow its local phone business.
14. TWTC and SWBT have been provisioning interconnection trunks between their networks for over three years. During this time TWTC has experienced repeated difficulties in obtaining interconnection trunks in a timely manner and in sufficient

quantities to support its business. These difficulties have caused TWTC customers to experience an unreasonable amount of blockage for extended periods of time. The inability to grow our interconnection trunks has also caused TWTC to turn away business and to limit our marketing efforts. We could not afford to add new customers because the additional traffic they would generate would cause calls to be blocked resulting to inferior service to our existing customers. Also, trying to add a new customer when our ability to order more trunks is limited prevents us from providing service in a timely manner. The Affidavit of Nick Summitt details the effects of blocking and delayed trunk provisioning on TWTC's business.

HISTORY OF SWBT/TWTC RELATIONSHIP ON TRUNKING ISSUES

15. These trunking issues have plagued the business relationship between TWTC and SWBT. When SWBT first submitted its application for 271 relief to the Texas Public Utility Commission, TWTC was experiencing an unusually high level of blocking in its Austin market. At that time, the companies were still provisioning one-way interconnection trunks. SWBT was responsible for monitoring the interconnection trunks that allowed SWBT end users to complete calls to a TWTC end user. TWTC and SWBT knew that many of those calls were being blocked and that additional interconnection trunks were necessary to alleviate the blocking. TWTC repeatedly issued Trunk Group Service Requests (TGSRs) requesting that SWBT augment the trunk groups that were blocking. These requests were continually ignored by SWBT and not until the situation was discussed at length in the TPUC hearings on SWBT's 271 application did SWBT take responsive actions to alleviate the blocking.

16. The overarching principle driving our involvement in SWBT's 271 application was the goal to establish performance measures that would monitor SWBT's performance and provide for monetary penalties for non-compliance. Despite an explicit statutory requirement that SWBT treat CLECs at parity, SWBT would not agree to contractual provisions that would allow for monitoring and enforcement of this requirement. It is clear to TWTC that SWBT needed a financial incentive to meet its Section 251(c)(2) statutory requirement "to provide, for the facilities and equipment of any requested telecommunications carrier, interconnection with the local exchange carrier's network for the transmission and routing of telephone exchange service and exchange access." TWTC had attempted to negotiate performance measures within its interconnection agreement with SWBT but SWBT was unwilling to enter into a voluntary agreement that included such standards. At the time, SWBT was also unwilling to allow CLECs to adopt the measures and penalties approved as part of the AT&T/SWBT mega-arbitration.

HISTORY OF TRUNKING ISSUES IN HOUSTON

17. During the last half of 1999 and throughout 1999 TWTC and SWBT reconfigured their interconnection facilities and now rely on two-way trunks for the majority of facilities utilized to exchange traffic. The conversion from one-way to two-way trunks was a large and complicated process for both companies. Austin was the first city to implement the conversion and the project was a huge success for both companies. As the trunks were converted, SWBT allowed the one-way network to remain in place until the conversion was complete. The Houston conversion proved to be much more problematic. SWBT did not have enough capacity at its tandems to

allow the one-way trunk groups to stay up throughout the conversion. At the same time the companies were converting to two-way trunks, SWBT was also encouraging TWTC to establish trunking directly to SWBT's end office switches in order to relieve the tandem. TWTC's business in Houston was growing at a rapid pace and it proved impossible to manage the conversion to two-way trunking and the construction of an end office network without blocking traffic. For most of last year TWTC requested additional tandem trunks to ensure that the exchange of traffic would not be blocked due to a lack of adequate facilities to the SWBT end offices. SWBT denied the majority of these requests. TWTC also asked SWBT to agree to provision more than 8 T1s per day. The original restriction of 8 T1s per day applied to "regions" and TWTC was limited to 8 T1s per day for two of its fastest growing markets, San Antonio and Houston.

18. For most of 1999, SWBT and TWTC were operating in a crisis environment in Houston. TWTC was trying to establish enough trunking to get out in front of its growth and convert to two-way trunking. SWBT's policy of provisioning only 8 T1s per day and their insistence on establishing trunks at the end office and limiting or refusing our attempts to establish tandem trunks caused the crisis. Although there were instances when SWBT agreed to increase the provisioning limit and allow us to grow the tandem trunk groups, their standard policy was not to allow TWTC to augment its tandem trunks *unless the network was experiencing blocking*. SWBT continued to insist that we augment the end office network and denied the majority of our requests for tandem trunks. Because we were forced to wait until blocking occurred to augment the tandem trunk groups or provision more than 8 T1s per day,

our network experienced a degree of blocking that required more time and facilities to remedy the blocking situation. This situation drained the resources of both companies. If either company made a mistake or failed to communicate with each other or within the various work groups, the problems multiplied.

19. TWTC and SWBT agree that an efficient network architecture requires an end office network and that an over-reliance on tandem trunks is inefficient. This is especially true when considering a mature network. In 1999, TWTC moved from relying primarily on tandem trunking (most, if not all CLECs enter the market in this manner and SWBT actively encourages this network design) to a network architecture representing a 60/40 ratio of end office to tandem trunks.

20. SWBT's tandem switches have not had enough capacity to support the growth in call volume generated in the Houston market. Had TWTC been able to maintain tandem trunking while the trunks were converted to two-way, this crisis would have been avoided. Has SWBT agreed to allow us a reasonable quantity of tandem trunks while we constructed the end office network this crisis would have been avoided. If SWBT had responded to our requests for additional tandem trunking once the critical nature of the situation was clear, this crisis would have been avoided.

21. In order to construct an end office network, a LEC must know which offices will generate the traffic. Most consumers do not know what their traffic patterns and volumes are, and LECs cannot rely on them to provide this information. A LEC is not able to predict which offices will generate the amount of traffic that requires direct trunking. In most cases, the only reliable method of determining where to establish direct end office trunking is to monitor the traffic once it is on the network.

For this reason, it is absolutely critical that a sufficient number of tandem trunks are in place so that calls that originate or terminate to a SWBT switch that does not have a direct path to a TWTC switch have an alternate path to a tandem or other SWBT switch that does have a direct path to a TWTC switch.

22. The increase in Internet traffic further complicates this situation. ISPs do not share their marketing plans with their service providers. If an ISP decides to target a new area of town and is successful, it can generate a tremendous amount of traffic. If this traffic originates from an end office where the CLEC has not established direct – trunking there must be enough tandem capacity to carry the traffic or those calls will be blocked. This example holds true for all types of customers.

23. A mature network will be more capable of handling changing traffic patterns and volumes. But a CLEC network requires a safety net of tandem trunks. TWTC and SWBT discussed this ad nauseum. SWBT continued to insist that we grow the end office and not the tandem trunk groups. We are in complete agreement that the end office trunk groups should be augmented and actively worked to augment those groups. But tandem trunks were needed as well, and tandem trunks were denied by SWBT.

24. TWTC attempted to resolve these problems in a variety of ways. We held network meetings with SWBT, we informed the TPUC of the situation, and we attempted to craft performance measures that would hold SWBT to certain standards of service. These measures were designed to capture SWBT's performance, while also recognizing that SWBT should not be held accountable for poor performance which

was out of their control to prevent. This issue is discussed further in Paragraphs 30-32 and 34.

RECOGNITION OF IMPROVED SERVICE AND IMPROVED BUSINESS RELATIONSHIP

25. Both companies have expended considerable efforts to resolve these problems by identifying and correcting mistakes within several workgroups, by making procedural changes in the way trunks are ordered and provisioned and by sharing the responsibility of monitoring trunk capacity. TWTC has always been pleased with the service provided by the SWBT Account Manager responsible for the TWTC account. The combination of the spotlight focused on SWBT in the 271 proceeding, the hard work and dedication of our SWBT Account Manager and the SWBT employees responsible for the TWTC account have resulted in dramatic improvement in the service we currently receive from SWBT. In fact, it was in recognition of the efforts made by SWBT that TWTC elected not to file testimony opposing the TPUC's final recommendation of SWBT's 271 application.

26. Just prior to the November 16, 1999 TPUC Open Meeting, TWTC was informed that SWBT was attempting to have TWTC data removed in order to obtain the TPUC's favorable recommendation. SWBT provided a number of conflicting explanations as to why SWBT believed the data should be excluded, but TWTC has never been provided with an explanation consisting of enough detail to be verified. TWTC does not have performance measurements in its negotiated interconnection agreement. The exclusion of this data has no direct effect on TWTC. TWTC is not eligible to receive penalties. Exclusion of the data has tremendous impact on SWBT's application for interLATA relief. By excluding this data, SWBT's can represent to this

Commission that SWBT's past performance meets the required standards. However, TWTC Houston experienced significant blocking from July through October 1999. For over five continuous weeks blocking occurred on TWTC's trunks every day. During this time TWTC was trying to get more tandem trunks and more T1s provisioned per day. SWBT occasionally cooperated by not enforcing its policies but their failure to respond immediately and consistently prolonged the blocking and left TWTC with no assurance that the situation would not occur again, and if it did, that it could be addressed in a timely manner. TWTC still has no assurance nor do the performance measures capture this reality.

27. In November 1999, TWTC was in the final stages of negotiating a successor interconnection agreement and had proposed contractual changes designed to address the trunking situation by contractually changing the SWBT trunking policies. SWBT was in the final stages of winning the TPUC's blessing of its 271 application. Because SWBT personnel responsible for obtaining the TPUC's nod on its 271 application wanted the TWTC trunking data for October removed, the issue was once again placed before the TPUC. As stated above, SWBT's performance *record* had no direct impact on TWTC. Their actual performance did. TWTC responded to Commission and staff inquiries regarding SWBT's assertion that the poor performance was the result of TWTC's mismanagement. This resulted in more meetings with SWBT, including a meeting with SWBT and TPUC staff on December 2, 1999. During this time, SWBT business personnel continued to work with TWTC, making exceptions to corporate policies to meet our trunking requests. During the December 2nd meeting SWBT agreed to the TWTC requests that it had

up until then denied and change its policy to increase the number of T1s provisioned from 8 to 12 per day. SWBT informed TWTC that, contrary to past representations, it had capacity at the tandem and would agree to allow TWTC to establish the additional tandem trunks it had requested. SWBT also agreed to accept quarterly forecasts from TWTC.

28. SWBT business personnel have gone beyond the call of duty in numerous instances, supplying TWTC with electronic equipment needed to provision trunks on the TWTC side of the network when a TWTC vendor failed to deliver the equipment on time. SWBT also agreed to reroute TWTC interLATA traffic in Dallas to alleviate the blocking a TWTC customer was experiencing because an IXC did not have sufficient interoffice trunking to a SWBT tandem.

29. TWTC acknowledges that it shares some of the responsibility for the trunking problems. As explained in paragraph 18, the atmosphere the companies were operating under strained the resources of both companies. TWTC is not now advocating, nor has it ever advocated that SWBT should be held responsible for TWTC's actions or inaction. However, the network congestion experienced in Houston cannot be solely attributed to TWTC. In fact, TWTC strongly believes that had it been able to order tandem trunks in the quantity it requested when it requested them, most of these problems could have been avoided and the crisis situation that overburdened both companies could have been prevented.

PERFORMANCE MEASUREMENTS

30. By monitoring Telecordia's test of SWBT's OSS implementation, TWTC became aware of several problems with the way SWBT was collecting data for trunking measures. First, SWBT was excluding data from the measures if, according to

SWBT, the data was exempt from penalties based on the exemptions built into the business rules. SWBT excludes this data without identifying it to the CLECs. All blocking should be reflected in the reports and SWBT should notify CLECs of data that it is excluding along with the reasons the data is excluded in order to verify that the exclusions are applied correctly. TWTC also disagreed with the way SWBT collected the data. SWBT measured blocking by looking at one busy hour in one week. TWTC does not agree that this method of measuring blocking accurately captures all blocking occurrences.

31. Second, SWBT has interpreted an exclusion to PM No. 70 to exclude data if a CLEC's actual traffic usage was more than 25% over its most recent forecast as applying on a disaggregated basis, i.e., if TWTC traffic to an individual trunk group exceeded 25% of the most recent forecast. As discussed in paragraphs 20-23 no party has enough data to accurately predict the calling patterns of future customers. While it is possible to forecast traffic on a macro basis, it is not possible to forecast at the micro level with the same degree of accuracy. The business rule for PM No. 70 does not state that the 25% exclusion applies on the micro level, and TWTC's understanding was that the exclusion applied to the total forecast. It is critical to determine how this exclusion is applied. The only fair way to apply the standard is to have it apply on a macro level, or, require SWBT to accept and respond to quarterly forecasts that allow TWTC to accurately forecast to the micro level as it obtains the data that provides this information.
32. Third, TWTC learned that the performance measure for missed due dates did not capture due dates that were missed because of SWBT's lack of facilities. If TWTC

places orders that are within the quantities forecasted but SWBT doesn't have facilities, the orders are put into held status and the due date is not set until SWBT has facilities. These orders should be captured as missed due dates. The new interim measurement No. 73.1 will only penalize SWBT if it cannot provision the trunk orders within 90 days, but does not recognize that this far exceeds the 21 business days in which SWBT is required to provision trunk orders.

33. If CLECs are to rely on the performance measures to ensure that SWBT continues to operate at the level required by the standards after this Commission grants SWBT interLATA relief, these changes must be made prior to that grant. The proposed changes to PM No. 70 will ensure that SWBT is not required to pay penalties if the poor performance is not a result of its actions. But the change will ensure that all parties, and not just SWBT, are able to validate that the exclusions are applied properly. The change to PM No. 73.1 will capture the instances when SWBT is not able to meet a due date because of lack of facilities.

RESPONSE AND CORRECTION TO SWBT 271 APPLICATION AND RELATED AFFIDAVITS

34. Mr. Dysart's affidavit is either incorrect or misleading and reflects a misunderstanding of the actual facts. Mr. Dysart's affidavit at page 138 attributes the blocking to mismanagement of one CLEC. He states that the blocking occurred because a CLEC failed to properly monitor the two-way trunk groups. SWBT provided this explanation to TWTC as well. SWBT claims that TWTC failed to respond to TGSRs issued by SWBT. TGSRs are issued when the company who is not responsible for ordering trunks sees a traffic volume that indicates an augment is needed. While SWBT has never provided enough detail for TWTC to confirm this

assertion, it is not unreasonable to believe that TWTC may have failed to respond to a SWBT issued TGSR in a timely manner. However, to imply that this is the sole reason that blocking occurred is absurd, especially in light of TWTC's repeated requests for additional trunk capacity at the tandem and repeated efforts to add more trunks per day than SWBT's policy allowed for. The calls that were blocked were calls that originated at a SWBT end office. There was not sufficient direct end office trunking to route the traffic directly to TWTC so the traffic was routed through the tandem. Because there was not enough capacity on the tandem trunk groups, the calls were blocked. SWBT's explanation that it monitored the trunk groups and sent TGSRs requesting that SWBT augment its tandem trunks to handle the overflow volume is absurd, considering the efforts TWTC expended to obtain additional tandem trunks. The second part of paragraph 552 of Mr. Dysart's affidavit provides a second explanation of why SWBT experienced blocking in Houston. They claim that a CLEC failed to order High Usage (HU) trunks and instead ordered Direct Final (DF) trunks, resulting in blocking. This explanation was included in early documents provided to TWTC by SWBT. TWTC is certain that this explanation is not attributed to TWTC, and SWBT confirmed this. However, the testimony is confusing and appears to imply that all of the blocking occurred on the network of one CLEC, which is not accurate.

AMENDMENTS TO PERFORMANCE MEASURES

35. TWTC proposes that Performance Measure Nos. 70 and 73 and the related business rules are amended to accurately capture SWBT performance. As shown in Mr. Summitt's affidavit, TWTC can document \$183,700.00 in lost monthly revenue.

This is over \$2,204,400.00 in lost revenue in the first year alone. Although SWBT does not pay TWTC performance penalties, if TWTC had been eligible for penalties, SWBT would have paid TWTC a one time penalty of \$50,000.00. If the fault truly laid with TWTC, the penalty of lost revenue is automatically enforced, with no ability to reduce or "cap" these loses. If SWBT was at fault, the \$50,000 in penalties is no match for the harm caused by the failed performance.

REQUIRE SWBT TO ACCEPT AND RELY ON QUARTERLY FORECASTS

36. Because CLECs are necessarily growing at a fast rate, and because it is impossible to predict with exact accuracy the traffic patterns of future customers on a six months' basis, CLECs should be allowed to amend their forecasts to reflect the actual growth and traffic patterns of their customer base. Although SWBT had agreed to accept quarterly forecasts, TWTC's interconnection team was recently informed that they would not accept or rely on quarterly forecasts. The introduction of competition changes the way telecommunications networks are managed. SWBT must revise practices that do not recognize these changes."

This concludes my affidavit.

I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Executed on _____, 2000.

Kelsi W. Reeves
Vice President Regulatory, SW Region
Time Warner Telecom

STATE OF TEXAS)
COUNTY OF TRAVIS)

Subscribed and sworn to before me
this ____ day of January, 2000.

Notary Public, State of Texas