

1 reflected in the cost study. Thus, the Hitachi report observations are helpful in
2 validating the development of BHC cost study times by Qwest SMEs, but the
3 specific times, which represent a small sample, were not used as the sole basis of
4 the work times in the BHC cost study.

5 **Q. DOES THE NONRECURRING COST STUDY INCLUDE THE COSTS OF**
6 **DISCONNECTING SERVICE?**

7 A. Yes. The nonrecurring costs study includes the cost to establish and disconnect
8 service. These costs are calculated separately as required by the Washington
9 Commission in prior cost dockets. This is necessary because there are no charges
10 assessed when a UNE or interconnection service is disconnected. Since the
11 disconnection will occur in the future, the disconnection costs are discounted using
12 the 13.07% cost of money and an assumed service life of 2.5 years. Thus,
13 disconnect costs are multiplied by 74% to yield a discounted cost.

14 **Q. ARE YOU PROVIDING THE NONRECURRING BHC TELRIC STUDY AS**
15 **AN EXHIBIT TO YOUR TESTIMONY?**

16 A. Yes. The nonrecurring BHC cost study Exhibit TKM-3 (Study ID #8161) is
17 provided as an Excel workbook on the compact disc (“CD”) identified as Exhibit
18 TKM-2 that accompanies this testimony. In addition the CD contains the Expense
19 Factors Model and User Manual. The BHC nonrecurring TELRIC is \$31.3945.96
20 per loop for installation ~~ed~~ and \$19.69 per loop for disconnection.

21 **C. Expense Factors**

22 **Q. ARE EXPENSE FACTORS APPLIED TO THE DIRECT BHC COSTS?**