

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of Qwest  
Corporation for Arbitration with Eschelon  
Telecom, Inc., Pursuant to 47 U.S.C. Section  
252 of the Federal Telecommunications Act of  
1996**

**DOCKET NO. UT-063061**

**RESPONSIVE TESTIMONY**

**OF TERESA K. MILLION**

**QWEST CORPORATION**

**Issue Nos. 4-5, 8-20, 8-21, 8-22, 9-43 and 9-44**

**DECEMBER 4, 2006**

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1                                   **I.           IDENTIFICATION OF WITNESS**

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

3   A.   My name is Teresa K. Million. I am employed by Qwest Services Corporation,  
4       parent company of Qwest Corporation (“Qwest”), as a Staff Director in the Public  
5       Policy organization. In this position, I am responsible for directing the  
6       preparation of cost studies and representing Qwest’s costs in a variety of  
7       regulatory proceedings. My business address is 1801 California St., Room 4700,  
8       Denver, Colorado.

9

10 **Q.   ARE YOU THE SAME TERESA MILLION WHO FILED DIRECT**  
11 **TESTIMONY IN THIS PROCEEDING?**

12 A.   Yes, I am.

13

14                                   **II.           PURPOSE OF TESTIMONY**

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

16 A.   The purpose of my testimony is to respond to the cost issues raised in the  
17       testimonies of Mr. Michael Starkey with respect to Issue Nos. 8-21, DC Power  
18       Plant and 9-43 and 9-44, Conversions; Mr. Douglas Denney with respect to Issue  
19       Nos. 4-5, Design Changes, 8-20, Available Inventory, 8-22, DC Power Reduction  
20       and Power Restoration Quote Preparation Fee (QPF) and 22-90(a) through (f),  
21       Unapproved Rates; and Mr. James Webber with respect to Issue No. 12-67,  
22       Expedite Order Charge.

23

24 **Q.   ARE YOU STILL OF THE OPINION THAT COST ISSUES SHOULD BE**

1           **RAISED IN A DIFFERENT PROCEEDING?**

2    A.    Yes. As I stated in my direct testimony, generally, it is better to address all of the  
3           cost issues raised in this arbitration in a separate proceeding because an  
4           arbitration, such as this, is a proceeding between two parties, Qwest and  
5           Eschelon, that has limited application to the terms and conditions contained in a  
6           single interconnection agreement (ICA). A separate proceeding, on the other  
7           hand, would be open to participation by any and all competitive local exchange  
8           carriers (CLECs) and is broadly applicable to all CLECs. I also pointed out in my  
9           direct testimony that Qwest has agreed to a filing process for unapproved  
10          TELRIC rates where the merits of interim treatment of unapproved rates may be  
11          addressed. Furthermore, I continue to believe that the issues explored in such  
12          proceedings are complex and involve detailed analysis of cost models, cost  
13          studies and the inputs and assumptions that go into them and are better suited to  
14          those types of proceedings.

15  
16                           **III.        RESPONSE TO MR. STARKEY**

17    **Issue No. 8-21 - DC Power Plant**

18    **Q.    PLEASE SUMMARIZE THE NATURE OF THE DISPUTE RELATING TO**  
19           **ISSUE NO. 8-21.**

20    A.    Qwest's position is that only the DC Power Usage rate should be applied on a  
21           per-amp used basis for power feed orders greater than 60 amps, but that the DC  
22           Power Plant rate should be applied on a per-amp ordered basis regardless of the  
23           size of the power feed order. Mr. Starkey argues that the DC Power Plant rate  
24           should be applied in the same manner as the DC Power Usage rate on a per-amp  
25           used basis for power feed orders greater than 60 amps.

1 **Q. MR. STARKEY STATES AT PAGE 103 OF HIS DIRECT TESTIMONY**  
2 **THAT ESCHELON IS NOT CHALLENGING THE DC POWER [PLANT]**  
3 **RATE AND, INSTEAD, IS TAKING ISSUE WITH THE ASSESSMENT OF**  
4 **THE RATE. PLEASE COMMENT.**

5 A. As I stated in my direct testimony, the problem with Eschelon's position is that it  
6 ignores the fact that the rate for an element and its application on a unitized basis  
7 result in the amount of TELRIC cost recovery awarded to Qwest by a  
8 Commission. Mr. Starkey is wrong to suggest that the Commission could make a  
9 determination in this arbitration regarding the appropriate assessment of the  
10 power plant rate in a vacuum without also reviewing the rate. The proper forum  
11 for such a review of rates and their application is in a proceeding such as a cost  
12 docket where detailed cost data relating to inputs and assumptions are in  
13 evidence. In fact, in her recent recommended decision in the McLeod  
14 proceeding, referenced in footnote #140 of Mr. Starkey's direct testimony  
15 ("The McLeod Power Complaint"), the Administrative Law Judge (ALJ)  
16 determined that a "cost docket, or similar cost review, is the forum for judging the  
17 adequacy of rates and rate structures for CLEC access to ILEC networks."<sup>1</sup> That  
18 type of information is not in evidence in this proceeding.

19

20 **Q. MR. STARKEY SAYS AT PAGE 108 OF HIS TESTIMONY THAT QWEST**  
21 **SHOULD ASSESS ITS POWER PLANT RATE ON A USAGE BASIS. IS**  
22 **QWEST'S POWER PLANT RATE DEVELOPED ON A USAGE BASIS?**

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<sup>1</sup> *McLeodUSA Telecommunications Services, Inc. v. Qwest Corporation*, Washington State Utilities and Transportation Commission, Docket UT-063013, Initial Order: Recommended Decision to Deny Petition for Enforcement, September 29, 2006, p. 24, ¶ 68. (Attached as Exhibit CA-3 to the Responsive Testimony of Curtis Ashton).

1 A. No. Qwest’s power plant rate is not developed, nor is it based on any concept of  
2 actual power usage. Clearly there is no correlation between the cost per amp of  
3 power plant generated by Qwest’s study and Mr. Starkey’s contention that it  
4 should be applied on a per-amp-used basis. The ALJ understood this when she  
5 stated in her order in the McLeod Power Complaint that the “Qwest collocation  
6 power plant rate was not developed on a “usage” basis, as McLeod claims. Even  
7 though the word “usage” is found in the formula, the rate was developed to get at  
8 what the cost of hypothetical power plant would be on a per amp basis, without  
9 regard to usage.”<sup>2</sup> Furthermore, it defies reason that Mr. Starkey would argue that  
10 Qwest’s rate is or should be applied on a usage basis. After all, the rate resulted  
11 from a contested case in which Qwest’s cost studies were closely scrutinized by  
12 the parties, including Commission Staff and its advisor, Dr. Gable. Qwest filed  
13 its cost docket rates via a compliance filing process that included further review  
14 by Staff and posted those rates publicly in Washington’s wholesale tariff.  
15 Through it all the power plant rate was described as applying on a per-amp-  
16 ordered basis, it was billed to the CLECs on that basis and no CLEC complained  
17 about Qwest’s application of the rate. If there had been any question about the  
18 way the rate was being charged, it would have been brought to light before now.  
19 Thus, the only chargeable unit being developed in Qwest’s cost study is the cost  
20 of an amp of power plant *capacity* and nothing in that rate development has  
21 anything to do with the actual electrical current that any telecommunications  
22 equipment in a central office might consume.

23  
24 **Q. MR. STARKEY ALSO DISCUSSES, BEGINNING ON PAGE 108, QWEST’S**

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<sup>2</sup> *Id.* at ¶ 58.

1           **ENGINEERING PRACTICES WHEN IT SIZES ITS POWER PLANT. DO**  
2           **THE FCC’S TELRIC PRICING RULES REQUIRE QWEST TO ADD**  
3           **CAPACITY TO ITS POWER PLANT IN ORDER TO CHARGE CLECS**  
4           **FOR POWER PLANT?**

5    A.    No. There is nothing in the FCC’s TELRIC rules that requires Qwest to add to its  
6           existing power plant to accommodate CLEC demand for capacity. If Qwest’s  
7           power plant, as it existed in 1996, had had adequate capacity to meet CLEC  
8           demand Qwest would have been under no obligation to build additional plant to  
9           accommodate that demand and Qwest would still have been entitled to charge the  
10          CLECs for the amount of power plant capacity made available to them. In point  
11          of fact, Qwest sometimes, though not always, *did* increase the size of its power  
12          plant on the basis of the orders it received from the CLECs for power feeds  
13          during 1999 and 2000 and its assumptions about the amount of power capacity  
14          that it would need to make available to the CLECs based on those orders.  
15          Nevertheless, Qwest’s power plant study still calculates cost on the basis of an  
16          Amp of power plant capacity and not on the basis of the size of any given power  
17          plant nor the actual usage of electrical current coming through it.

18  
19    **Q.    DID MCLEOD MAKE THE SAME ARGUMENTS ABOUT THE**  
20    **ENGINEERING OF QWEST’S POWER PLANT THAT MR. STARKEY**  
21    **PRESENTS IN THIS PROCEEDING?**

22    A.    Yes. And in evaluating the instructiveness of those arguments in determining the  
23          proper application of Qwest’s power plant rates the ALJ found that “McLeod’s  
24          arguments are generally unpersuasive.”<sup>3</sup> Furthermore, Mr. Starkey argued for

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<sup>3</sup> *Id.* at ¶ 62.

1 McLeod, as he does for Eschelon, that based on Qwest’s engineering practices  
2 Qwest’s power plant rate as currently applied is discriminatory. However, once  
3 again, the ALJ in the McLeod case was not persuaded by these arguments and  
4 concluded in denying McLeod’s petition that “within the scope of this proceeding  
5 the Commission cannot determine whether the DC power plant rate is  
6 discriminatory.”<sup>4</sup> Thus, in the McLeod proceeding, the ALJ was reluctant to find  
7 discrimination on the basis of McLeod’s assertions about a rate that had  
8 previously been found by this Commission to be non-discriminatory in the cost  
9 docket. Nor should the Commission make such a finding in this proceeding on  
10 the basis of similar assertions by Eschelon.

11  
12 **Issues Nos. 9-43 and 9-44 – Conversions**

13 **Q. PLEASE DESCRIBE THE NATURE OF THE CONVERSIONS DISPUTE.**

14 A. As I explained in my direct testimony, Qwest believes that the issue of UNE to  
15 private line conversions is a matter that would better be addressed in a separate  
16 proceeding designed to resolve other remaining TRRO-related issues. Qwest is  
17 not opposed to having this issue addressed in a second phase of the currently-  
18 open Docket No. UT-053025, the TRRO investigation. Eschelon’s position is  
19 that the conversion of its UNE circuits to private line services should be a price  
20 change only and should not require a change in circuit IDs. In Eschelon’s view  
21 this “price-only” change does not justify Qwest charging a nonrecurring charge  
22 for the conversion. Qwest’s position is that circuit ID changes are necessary for  
23 converting UNEs to private line services and, further, that it is entitled to recover  
24 costs it incurs to facilitate those conversions.

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<sup>4</sup> *Id.* at ¶ 69.



1 **Q. DOES QWEST AGREE WITH MR. STARKEY THAT CONVERSIONS**  
2 **SHOULD NOT PUT ESCHELON'S CUSTOMERS OUT OF SERVICE?**

3 A. Yes. However, Mr. Starkey's testimony about the potential problems associated  
4 with Qwest's process for converting UNEs to private lines has nothing to do with  
5 whether it is appropriate for Qwest to recover the cost of those processes. In fact,  
6 the process that Qwest has established for converting UNE circuits to private lines  
7 is specifically designed to *ensure* that the conversion is transparent to both the  
8 end-user customer and the CLEC serving that customer and does not result in  
9 placing the CLEC end-user customer out of service. To date, after more than 500  
10 conversions involving this type of circuit ID change, Qwest is not aware of any  
11 complaints from CLECs about customers whose service has been disrupted by  
12 this conversion process.

13 The point is, this particular process comes with a cost. In order to ensure that the  
14 conversion process is transparent to the Eschelon and its customers' services,  
15 Qwest interjects a number of manual activities into the process so that certain  
16 automated steps do not occur that could otherwise result in disruption of those  
17 services. The purpose of many of the tasks included in the conversion process is to  
18 avoid placing Eschelon's end-user customers at risk. These activities are captured  
19 in the conversion steps that I outlined in my direct testimony and, at least partially,  
20 in the costs that Qwest proposes to recover through its nonrecurring charge. I say  
21 "partially" because Qwest's current nonrecurring conversion charge established in  
22 Washington is based on a process that did not contemplate circuit ID changes.  
23 Therefore, Mr. Starkey's attempts to emphasize "risks" in Qwest's process to  
24 Eschelon's customers is merely a smokescreen and proves exactly why Qwest

1 undertakes those steps and proposes a nonrecurring charge to recover the costs for  
2 them.

3

4 **Q. MR. STARKEY SAYS AT PAGE 154 OF HIS DIRECT TESTIMONY THAT**  
5 **THE CIRCUIT ID SHOULD NOT BE CHANGED DURING A**  
6 **CONVERSION. DO YOU AGREE?**

7 A. No. As I explained in my direct testimony, the whole point of the conversion is  
8 that the product is changing from that of a wholesale UNE product purchased  
9 only by CLECs through Interconnection Agreements (“ICAs”) to a tariffed  
10 service purchased by CLECs, other interconnecting companies and Qwest’s retail  
11 customers through commercial contracts. UNEs and special access or private line  
12 services are clearly distinguishable from each other, not only by price and  
13 classification, but also by the customers to whom they are available and by the  
14 differing ordering, maintenance and repair processes that attach to each of them.  
15 Qwest tracks inventory, as well as provisioning, repair and maintenance attributes  
16 of these distinct products through the use of circuit IDs. It would be grossly  
17 inefficient, expensive and wasteful for Qwest to have to create another product  
18 specifically for the CLECs and establish yet another method of tracking this new  
19 product in its systems when it already has an existing product and the systems and  
20 methods to track it in place. Qwest should not have to make changes to its  
21 myriad of operation support systems, processes and tracking mechanisms, such as  
22 circuit IDs, in order to accommodate each new regulatory nuance regarding how  
23 it offers its services to its customers and its competitors. Qwest has already  
24 expended hundreds of millions of dollars to enhance and modify its ordering,  
25 provisioning and inventory systems to be able to appropriately track facilities it

1 has been required to provide as UNEs. It should not now have to spend millions  
2 more to modify its systems one more time in order to track these same facilities  
3 yet another way. The costs associated with this type of system/process rework  
4 simply do not make sense in a competitive environment, and such costs would  
5 place an unfair burden on Qwest, especially when Qwest already has systems and  
6 identifiers in place to track existing private line services.

7  
8 **Q. IS THE CHANGING OF THE CIRCUIT ID MERELY A CONVENIENCE**  
9 **FOR QWEST'S RECORD KEEPING?**

10 A. No. While proper record keeping is the type of good business practice that Qwest  
11 strives for, the FCC rules, as well as many state commissions, require that  
12 incumbent telephone carriers accurately maintain records that track inventories of  
13 circuits. Thus, while Qwest is *required* to maintain subsidiary records in  
14 sufficient detail to align specific circuits with the billing, accounting, and  
15 jurisdictional reporting requirements related to the services that these circuits  
16 support, CLECs, such as Eschelon, are not subject to these same burdensome  
17 reporting requirements. Qwest accomplishes this through the use of circuit IDs  
18 and other appropriate codes, depending on the systems affected by the  
19 requirement. It is more than a little ironic, and certainly contradictory, that Mr.  
20 Starkey uses Eschelon's product tracking needs as a reason why Qwest should not  
21 be able to change circuit IDs during the conversion process. Qwest is required to  
22 make such a change so that it, like Eschelon, can maintain its records and systems  
23 and, in addition, accurately report its products for regulatory purposes.

24  
25 **Q. IS IT TRUE AS MR. STARKEY SAYS AT PAGE 156 THAT WHEN QWEST**

1           **ORIGINALLY CONVERTED CLECS' PRIVATE LINE CIRCUITS TO**  
2           **UNES, THEY WERE ALLOWED TO KEEP THEIR PRIVATE LINE**  
3           **CIRCUIT IDS?**

4    A.    Yes. However, as I explained in my direct testimony, this was done only because  
5           those CLECs objected to Qwest's efforts to convert those private line circuit IDs  
6           to circuit IDs representing UNE products. Qwest only offered that option on a  
7           very limited basis for embedded circuits ordered before April 2005. The reason  
8           for discontinuing that practice in 2005 was that Qwest discovered that, after  
9           allowing the circuit IDs to remain unchanged initially, it was experiencing  
10          difficulty in managing the large number of circuits. Further, Qwest was incurring  
11          a substantial amount of expense on the resources necessary to manually track  
12          those circuits individually outside of Qwest's systems. This tracking is necessary  
13          in order for Qwest to maintain its subsidiary records accurately so that  
14          maintenance and repairs on those circuits could be handled out of the appropriate  
15          service centers. Therefore, as of April 2005, that option is no longer available,  
16          and thus, any circuit additions or changes made to circuits after that date are  
17          required to change circuit IDs as well. Currently, there are fewer than 7% of all  
18          DS1 and DS3 UNEs that still have private line circuit IDs. Qwest has accounted  
19          for those circuits in its conversion cost study, and thus does not include activities,  
20          or the associated costs, triggered by a change of circuit ID for those  
21          "grandfathered" circuits in its conversion costs.

22

23    **Q.    IS MR. STARKEY CORRECT WHEN HE SAYS AT PAGE 159 THAT**  
24    **QWEST'S CONVERSION OF UNES TO PRIVATE LINE CIRCUITS**  
25    **SHOULD BE A BILLING CHANGE ONLY?**

1 A. No. In fact, the *TRRO* **mandated** that within twelve months from the effective  
2 date of the order CLECs “...*must* transition the affected DS1 or DS3 dedicated  
3 transport UNEs to alternative facilities or arrangements.”<sup>5</sup> Further, the FCC  
4 specifically identified that those alternative arrangements would include “...self-  
5 provided facilities, alternative facilities offered by other carriers, or special access  
6 services offered by the incumbent LEC.”<sup>6</sup> Clearly, the twelve month transition  
7 period contemplated by the FCC has come and gone. Thus, for wire centers that  
8 the FCC has deemed to be “non-impaired,” Qwest is no longer required to  
9 provide access to DS1 or DS3 UNE loops or inter-office transport yet many  
10 CLECs, including Eschelon, remain on Qwest’s facilities. As I pointed out in my  
11 direct testimony, this language in the *TRRO* means not only that Qwest is no  
12 longer required to price these services at TELRIC rates, but that the FCC  
13 recognized an ILEC’s existing special access (private line) services as one of the  
14 alternatives available to CLECs after transition.

15 UNEs are priced at TELRIC; therefore, in order for Qwest to be able to price these  
16 alternative services at something other than TELRIC, *as the TRRO permits*, it is  
17 necessary for Qwest to convert UNEs to private line services. If Qwest were not  
18 allowed to convert the UNE circuits to private line circuits, the FCC’s non-  
19 impairment findings in the *TRRO* would essentially be rendered meaningless.  
20 Thus, to the extent that Qwest incurs costs to facilitate the CLEC’s conversion from  
21 a UNE to a private line service, Qwest should be entitled to assess an appropriate  
22 charge.

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<sup>5</sup> *TRRO*, ¶ 143 [emphasis added.]

<sup>6</sup> *Id.* at ¶ 142.

1 **Q. MR. STARKEY SAYS THAT FCC RULES PROHIBIT QWEST FROM**  
2 **CHARGING CLECS FOR THE NONRECURRING COSTS OF**  
3 **CONVERTING CIRCUITS FROM UNES TO PRIVATE LINE SERVICES.**  
4 **DO YOU AGREE?**

5 A. No. According to Mr. Starkey, what the FCC rules and orders require is that  
6 Qwest not charge “...*untariffed* termination charges, or any disconnect fees, re-  
7 connect fees, or charges associated with establishing a service for the first  
8 time...”<sup>7</sup> The point the FCC was making with the passages quoted by Mr.  
9 Starkey is that the LECs should not be able to receive a windfall or be unjustly  
10 enriched as a result of converting CLEC circuits from UNEs to private lines. The  
11 FCC said nothing about prohibiting a LEC from recovering its legitimate and  
12 necessary costs of conversion. Qwest incurs costs in the process of converting  
13 UNE transport or high-capacity loops to the alternative facilities and  
14 arrangements contemplated by the FCC in the TRRO and therefore should be  
15 permitted to assess an appropriate *tariffed* charge. In the case of the conversions  
16 of UNEs to alternative facilities, *but for* the conversion, Qwest would not have to  
17 incur the costs of performing the associated tasks.

18

19 **Q. MR. STARKEY EQUATES THE CONVERSION OF DS1 AND DS3 UNES**  
20 **TO PRIVATE LINE SERVICES WITH THE CONVERSION OF UNE-P TO**  
21 **QPP. IS HIS COMPARISON APPROPRIATE?**

22 A. No. As I discussed in my direct testimony, the circumstances surrounding the  
23 conversion of UNE-P to Qwest’s Qwest Platform Plus™ (“QPP”) product are not  
24 the same as they are for UNE to private line conversions. First, in the case of

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<sup>7</sup> Starkey Direct, p. 161, quoting 47 CFR §51.316(c) [emphasis added].

1 DS1s and DS3s, the circuits are only changing from UNEs to Qwest's existing  
2 private line services in the wire centers that have been determined to be non-  
3 impaired; in all other wire centers, DS1s and DS3s will continue to be classified  
4 as UNEs. In the case of UNE-P, the loop portion of the product remains a UNE  
5 in all wire centers, while the switching and shared transport components of UNE-  
6 P are no longer classified as UNEs at all. Clearly, Qwest did not have an existing  
7 product that combined both UNE and non-UNE components available to CLECs.  
8 Therefore, when it was no longer required to provide UNE-P, Qwest voluntarily  
9 created a new product (i.e., QPP) in order to replace UNE-P.

10 Second, the loop portion of the QPP product is identified by the telephone number  
11 for purposes of billing, maintenance and repair. In other words, the loop portion of  
12 QPP is *not* identified by a circuit ID. Furthermore, because the telephone number  
13 does not change whether it is part of UNE-P or QPP, no conversion of the UNE  
14 loop occurs. In addition, QPP can be billed differently through the assignment of  
15 new universal service order codes ("USOCs") without consideration for other  
16 systems or centers.

17 Mr. Starkey argues that Qwest's transitioning from UNE-P to QPP not by changing  
18 circuit IDs, but by merely re-pricing the service, is evidence that Qwest could do  
19 the same thing in this circumstance. However, unlike DS1s and DS3s, **there is no**  
20 **circuit ID** associated with the loop in the case of a finished service such as UNE-P  
21 or QPP. As part of UNE-P, the QPP elements were already being billed out of the  
22 Customer Record Information System ("CRIS") billing system, and thus a change  
23 in USOCs was all that was necessary to effectuate new rates. Clearly, the way in  
24 which Qwest tracks the loop for purposes of repair and maintenance does not

1 change as a result of the conversion from UNE-P to QPP. Mr. Starkey's  
2 comparison of these two unrelated situations is not meaningful.

3 As I discussed above, DS1 and DS3 UNEs are available at TELRIC rates only to  
4 CLECs. Thus, in wire centers that continue to be identified as "impaired" going  
5 forward, Qwest must still offer those products as UNEs, unlike the switching and  
6 shared transport components of UNE-P which are no longer classified as UNEs at  
7 all. In order to charge a rate for the DS1 and DS3 services in the non-impaired wire  
8 centers at something other than TELRIC, as Qwest is entitled to do under the  
9 FCC's TRRO decision, Qwest must re-classify them as something other than  
10 UNEs. In the case of UNE-P, Qwest was not converting a UNE product to an  
11 existing tariffed equivalent because QPP did not previously exist. In the case of  
12 DS1s and DS3s, however, Qwest has a product offering that is a tariffed equivalent  
13 to its UNE offering. Thus, in converting the UNE product to a tariffed private line  
14 product, Qwest must change the circuit ID and cannot simply re-price the service.

15  
16 **IV. RESPONSE TO MR. DENNEY**

17 **Issue No. 4-5 – Design Changes**

18 **Q. MR. DENNEY SAYS AT PAGE 24 OF HIS DIRECT TESTIMONY THAT**  
19 **UNDER ESCHELON'S PROPOSAL THE COMMISSION WOULD NOT**  
20 **NEED "TO SET RATES FOR DESIGN CHANGES AT THIS TIME." DOES**  
21 **THE COMMISSION NEED TO SET RATES FOR DESIGN CHANGES AT**  
22 **ALL?**

23 **A.** No. The Commission has already set TELRIC rates for design changes in Part D  
24 of Docket No. UT-003013 as part of a group of rates that Qwest refers to as



1 'Miscellaneous Charges.' *See WNU-42, Section 3.1Q.*

2  
3 **Q. MR. DENNEY IMPLIES THAT THE RATES THE COMMISSION SET**  
4 **FOR DESIGN CHANGES ONLY APPLY TO TRANSPORT (I.E., UDIT). IS**  
5 **HE CORRECT?**

6 A. No. The design change study submitted by Qwest in the Washington cost docket  
7 calculates the average cost of performing a design change for all types of products  
8 (i.e., loops and transport) and under all types of circumstances including CFA  
9 (connecting facility assignment) changes. The nonrecurring cost study estimates  
10 the amount of time, on average, that it will take to perform any given task in the  
11 list of activities necessary to complete a design change and the probability that the  
12 task will occur. Qwest's nonrecurring cost study did not distinguish between the  
13 various circumstances in which a design change might be requested by a CLEC.  
14 Furthermore, it is clear from the description of the design change element,  
15 included in the Executive Summary of the Nonrecurring Cost Study (Study ID#  
16 7246) as part of Qwest's compliance filing in response to the Commission's 44<sup>th</sup>  
17 Supplemental Order in Part D of Docket No. UT-003013, that it was intended to  
18 apply to all types of design changes and not transport only. Otherwise, the  
19 description would not include references to end user premises (transport is from  
20 one central office to another central office and does not involve end users),  
21 optional features and functions, and type of channel interface. The notation "type  
22 of channel interface" in the design change description specifically contemplates  
23 situations involving CFA changes.

24  
25 **Q. IS IT NECESSARY TO DEVELOP SEPARATE CHARGES FOR THE**

1           **VARIOUS TYPES OF DESIGN CHANGES AS MR. DENNEY SUGGESTS?**

2    A.    No. Neither this Commission nor the FCC has required Qwest to provide  
3           nonrecurring charges to cover every possible nuance of every possible way that  
4           every possible product might be provisioned by Qwest for the CLECs. Nor  
5           would it be appropriate to micromanage Qwest's product offerings by requiring it  
6           to provide costs and processes to address every possible 'flavor' of provisioning  
7           activity in an increasingly competitive environment.

8

9    **Issue No. 8-20 – Available Inventory**

10   **Q.   MR. DENNEY MAINTAINS THAT QWEST SHOULD NOT BE ENTITLED**  
11       **TO CHARGE A QPF FOR AN AVAILABLE INVENTORY SITE THAT**  
12       **RESULTS IN A QUOTE FOR THE SITE THAT IS IDENTICAL TO A**  
13       **QUOTE THAT WAS PREVIOUSLY PREPARED FOR, BUT NOT**  
14       **ACCEPTED BY, A DIFFERENT CLEC. HOW DO YOU RESPOND?**

15    A.    As I also testify below in regard to the DC Power Reduction and Power  
16           Restoration QPF, these QPF charges recover much more than just the costs to  
17           physically prepare the quote. Section 8.3.1.3 of the ICA describes the QPF, and  
18           makes clear that this charge covers much more than the mere physical generation  
19           of the quote, as the costs recovered by the QPF include: "order validation,  
20           Collocation project management, space verification, inventory of all reusable  
21           elements, preparation of new design work package (power and space planning  
22           and engineering, entrance facility engineering and construction (as required),  
23           engineering of additional elements and associated database changes (e.g., deleting  
24           old terminations from vacating CLEC and establishing assuming CLEC  
25           terminations), and preparation of initial quote." There is certainly no evidence in

1 this docket as to which of those costs, if any, Qwest might not incur in the event  
2 that a CLEC asks that an Available Inventory site be provisioned exactly as per a  
3 prior, unaccepted quote for a different CLEC. Even in the event of an identical  
4 request and an identical price quote,<sup>8</sup> Qwest must still, for instance, validate the  
5 order, manage the collocation project, reconfirm the reusable elements, and  
6 complete power and space engineering. Qwest is entitled to recover those costs.  
7 In any event, this is not the appropriate proceeding to determine what costs, if  
8 any, Qwest may avoid in this “identical quote” situation. Again, exploring in  
9 detail the nature of the costs recovered by this rate is an inquiry that belongs in an  
10 appropriate cost proceeding.

11  
12 **Issue No. 8-22 - DC Power Reduction And Power Restoration Qpf**

13 **Q. MR. DENNEY CLAIMS AT PAGE 91 OF HIS TESTIMONY THAT**  
14 **QWEST’S QPF IS UNNECESSARY AND RESULTS IN DOUBLE**  
15 **RECOVERY BECAUSE QWEST ALREADY HAS AN NRC ESTABLISHED**  
16 **FOR POWER REDUCTION. HOW DO YOU RESPOND?**

17 A. Mr. Denney is wrong. The nonrecurring charges (NRCs) that he refers to that are  
18 established for power reduction are related to the Qwest labor and materials  
19 associated with performing the work to remove or reduce the power feeds for a  
20 CLEC in the central office. As Mr. Denney points out on page 96 of his  
21 testimony, the “nonrecurring Power Reduction charge recovers the cost to  
22 perform the DC Power Reduction” – it does not recover costs for planning and  
23 engineering work. Qwest’s QPF charge is related to the engineering, project

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<sup>8</sup> An identical request might not necessarily lead to an identical price quote because the rate elements may have changed between the time that Qwest generated the first quote for the prior CLEC and the time of Eschelon’s subsequent request for that site.

1 management and administrative labor costs incurred by Qwest's Common  
2 Systems Planning Engineering Center (CSPEC), Interoffice (IOF) Design  
3 Engineering and Collocation Project Management Center (CPMC) to evaluate,  
4 plan and manage a CLEC's request for power reduction – it does recover costs for  
5 planning and engineering work. There is no overlap in the costs developed for  
6 these two NRCs. Even Mr. Denney acknowledges the applicability of such a  
7 charge if “additional work is required outside the scope of the NRC.”<sup>9</sup> Thus,  
8 because Qwest incurs costs to perform all of the tasks associated with *both*  
9 planning and engineering the job and actually performing the power reduction  
10 work, Qwest is entitled to recover both the QPF and the Power Reduction NRC.

11  
12 **Q. IS IT NECESSARY FOR THE COMMISSION TO ADDRESS POWER**  
13 **REDUCTION CHARGES IN THE CONTEXT OF THIS ARBITRATION?**

14 A. No. As is the case with the power plant charges, the appropriate place to consider  
15 the various inputs and assumptions contained in Qwest's Collocation cost model  
16 for these specific rates is in a separate proceeding, such as a cost docket which  
17 could be established for that purpose.

18  
19 **Issue No. 22-90(a)-(f) – Unapproved Rates**

20 **Q. IN PROPOSING RATES FOR CERTAIN ELEMENTS MR. DENNEY**  
21 **MAKES SEVERAL CLAIMS IN HIS DIRECT TESTIMONY BEGINNING**  
22 **ON PAGE 186 ABOUT THE ADEQUACY OF QWEST'S COST SUPPORT.**  
23 **PLEASE COMMENT.**

24 A. Mr. Denney claims that he has had limited information and limited opportunity to

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<sup>9</sup> Direct Testimony of Douglas Denney, p. 96.

1 analyze Qwest's rates. In addition, he points out that Qwest only provided cost  
2 studies for some of its proposed rates. He provides a table on page 188 of his  
3 testimony that shows both Qwest's rate and Eschelon's proposed rate for the  
4 elements he has selected. On page 189 Mr. Denney provides a table that  
5 summarizes the basis for Eschelon's proposed rates. My review of these tables  
6 and Mr. Denney's claims uncovers discrepancies in what he has portrayed in his  
7 testimony and his table.

8 For example, Mr. Denney claims that Qwest did not provide a cost study for the  
9 Issue No. 22-90(c), 12.3 Daily Usage Record File. However, my review of an e-  
10 mail and attached documents from Eschelon, dated February 9, 2006, that was sent  
11 to Qwest as part of the negotiations process reveals that Eschelon never specifically  
12 requested the cost study for Daily Usage Record File (DUF) from Qwest in  
13 Washington. It was not marked with a footnote Z on the Excel spreadsheet  
14 Eschelon provided entitled "Exhibit A (CO MN WA) 11-14-05.xls" although the e-  
15 mail directed Qwest to provide cost studies for elements so marked. Furthermore,  
16 Mr. Denney's note in the table on page 189 about how Eschelon's proposed rate for  
17 the DUF element was calculated indicates that it "is an average of rates in states  
18 where they are approved by state commissions (CO, MN, UT)." Mr. Denney's  
19 note conveniently fails to acknowledge that Qwest also has commission-approved  
20 rates for DUF in many other of its 14 states including Idaho, Iowa, Montana,  
21 Nebraska, New Mexico, North Dakota and Wyoming. While I understand that  
22 Eschelon is neither operating nor negotiating ICAs in all of those states, it seems  
23 that if Mr. Denney wants to propose a rate for DUF based on an average of  
24 commission-approved rates, he should have included those states in his calculation.  
25 To do otherwise is disingenuous.

1 In the case of his explanation of the changes he made to Qwest's private line to  
2 unbundled loop conversion (Issue No. 22-90(d)) Mr. Denney claims that he  
3 updated Qwest's inputs from newer studies. However, as I have pointed out above  
4 in my discussion of the conversions issue, Qwest's costs are considerably higher in  
5 its current cost studies based on the change in circuit IDs, therefore, it is difficult to  
6 understand how Mr. Denney could have incorporated Qwest's updated inputs and  
7 still develop a rate nearly \$10 less than Qwest's proposed rate based on old inputs.  
8 Other of Mr. Denney's notes (see items 8.8.4, ICDF Collocation, 10.7.10, Transfer  
9 of Responsibility (Access to Poles, Ducts, Conduits and Rights of Way) and  
10 10.7.12.1, Microduct Occupancy Fee, per Microduct, per Foot, per Year), also  
11 claim that Qwest did not provide cost studies. My review of these items shows that  
12 cost studies were indeed provided to Eschelon for these items on 8/18/06, 3/16/06  
13 and 3/16/06, respectively. These are just a few examples of the discrepancies  
14 between Mr. Denney's claims and what I uncovered in researching these issues.

15  
16 **Q. HOW DO YOU RESPOND TO MR. DENNEY'S ASSERTIONS THAT**  
17 **QWEST'S RATES DO NOT REFLECT PRIOR COMMISSION**  
18 **DECISIONS?**

19 A. I think it is important to note that Qwest is not obligated when it calculates costs  
20 for new elements subsequent to a Commission decision in a cost docket to rigidly  
21 follow the inputs ordered in that docket. The inputs ordered in a specific docket  
22 are specific to the rate elements that were at issue in that case and do not,  
23 necessarily or by Commission mandate, carry forward to each future cost study  
24 that Qwest might prepare. The reason for this is simply that the passage of time,  
25 refinement of studies and the incorporation of new and updated information in

1 studies often result in costs for new elements that do not warrant the changes in  
2 inputs decided for previously submitted elements.

3 For example, assume the Commission determined in a prior docket that a particular  
4 time estimate for a particular function in a nonrecurring cost study should be  
5 reduced by 30% from 10 minutes to 7 minutes. In a subsequent filing assume that  
6 Qwest has revisited this time estimate with its subject matter experts and based on  
7 current practices and its application in a new element, they estimate the time for  
8 that function to be 8 minutes. It would be unreasonable to presume that Qwest  
9 should simply reduce that estimate by 30% down to 5.6 minutes without first being  
10 given the opportunity to present the new study and new evidence to the  
11 Commission that demonstrates why 8 minutes is a better estimate for the task than  
12 the 7 minutes ordered for another element in a previous cost docket. The mere  
13 passage of time between a Commission decision in one docket and the presentation  
14 of new costs and elements in another docket provides a sufficient reason for taking  
15 a fresh look at cost study inputs rather than automatically applying previous  
16 decisions to new information. This is the main reason Qwest believes that the  
17 appropriate place to review detailed inputs in cost studies is in a cost proceeding  
18 instead of this arbitration.

19  
20 **Q. MR. DENNEY SAYS ON PAGE 190 OF HIS TESTIMONY THAT HE USED**  
21 **COMMISSION-ORDERED INPUTS TO DEVELOP ESHCELON'S**  
22 **PROPOSED RATES FOR SOME OF THE ELEMENTS PRESENTED IN**  
23 **HIS TABLES ON PAGES 188 AND 189. PLEASE COMMENT.**

24 A. Without going into the detailed calculations provided by Mr. Denney in his  
25 Exhibit DD-6, I would make a couple of general observations about the

1 adjustments he made. First, Mr. Denney notes that Qwest did not use overhead  
2 factors that were previously ordered by the Commission. The Commission  
3 ordered factors that Mr. Denney refers to were established in what is termed the  
4 generic cost docket (Docket No. UT-960369) in 1999.<sup>10</sup> During Part D of Docket  
5 No. UT-003013 the CLECs (through the testimony of Peter Gose) challenged  
6 Qwest's use of those factors and suggested they were no longer appropriate,  
7 citing intervening changes in Qwest's business since their establishment.

8 Although the Commission determined to use its previously ordered factors for  
9 Part D, it indicated that the issue of overhead factors would be re-addressed in a  
10 subsequent docket. As a result, Qwest filed new factors in Docket No. UT-  
11 023003 in June, 2003. For a variety of reasons, that docket was never fully  
12 adjudicated and new factors were never established. However, the point of this  
13 discussion is that in light of the fact that Qwest and the CLECs were on notice  
14 from the Commission that new factors would be determined, it is not  
15 unreasonable for Qwest to have developed costs for new elements using the  
16 factors that it intended to put forth in an upcoming docket, rather than rely on  
17 factors that the CLECs challenged as inappropriate. Mr. Denney's suggestion  
18 that Qwest should continue to rely on factors that the Commission itself has  
19 determined need to be re-evaluated merely highlights the need for establishing a  
20 separate, cost-focused proceeding to address these complex cost issues.

21 Second, Mr. Denney layers more than one input adjustment on certain of the costs  
22 he challenges resulting in Eschelon rate proposals that are 40%, 50%, even 70%

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<sup>10</sup> *In the Matter of the Pricing Proceeding for Interconnection, Unbundled Elements, Transport and Termination, and Resale*, Docket Nos. UT-960369, et al., Seventeenth Supplemental Order: Interim Order Determining Prices; Notice of Prehearing Conference (September 23, 1999).



1 less than Qwest's proposed rates. He justifies his adjustments by stating that  
2 Qwest's rates "are rarely approved as TELRIC compliant without the  
3 Commission's corrections...."<sup>11</sup> However, having been involved in several phases  
4 of the cost dockets in Washington, I do not recall this Commission making  
5 wholesale adjustments of this magnitude to Qwest's cost studies. Nor do I  
6 remember the Commission making any such adjustments without first carefully  
7 considering all of the evidence presented by all parties. For Mr. Denney to propose  
8 the adjustments he has in this proceeding without giving the Commission the  
9 opportunity to conduct a detailed analysis of the underlying studies is, again,  
10 support for establishing a separate proceeding to address costs.

11 Finally, Mr. Denney admits that in some instances he simply took the rate proposed  
12 by Qwest and reduced it by half. Thus, absent a fully developed cost case and  
13 pursuant to Qwest's agreement to a filing process for unapproved TELRIC rates, I  
14 reiterate my position that the merits of interim treatment of unapproved rates  
15 should be addressed as a part of that process and not as a part of this arbitration.  
16

17 **V. RESPONSE TO MR. WEBBER**

18 **Issue No. 12-67 - Expedites**

19 **Q. MR. WEBBER DISCUSSES ON PAGE 89 OF HIS TESTIMONY**  
20 **ESCHELON'S RIGHT TO A "COST-BASED" RATE FOR EXPEDITES IF**  
21 **ONE IS ESTABLISHED. WHAT IS COST BASED PRICING?**

22 A. There are two common types of cost-based pricing utilized in the  
23 telecommunications industry: total element long run incremental cost (TELRIC)

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<sup>11</sup> Denney Direct, p. 190.

1 and total service long run incremental cost (TSLRIC). TELRIC is an economic  
2 costing method that was established by the FCC as a result of the 1996 Telecom  
3 Act for use in pricing the UNEs that incumbent local exchange carriers, such as  
4 Qwest, are required to provide to CLECs pursuant to Section 251 of the Act.

5 In the case of TELRIC, the ILEC estimates the average cost (including direct,  
6 indirect, overhead and common costs) of providing an unbundled element, such as  
7 a loop, to a CLEC and the resulting cost is equivalent to the price of the element.

8 In the case of TSLRIC, the ILEC estimates the average direct and indirect cost of  
9 providing a service to its customers. The purpose of TSLRIC is to determine a  
10 level of cost above which a given service or group of services is to be priced.

11 Instead of cost and price being equal as in the TELRIC method, TSLRIC is  
12 typically used to determine the *price floor* for retail and some wholesale  
13 telecommunications services such as basic local exchange and private line services.

14 The amount of contribution above TSLRIC that is assigned to any given service for  
15 purposes of recovering a portion of the ILEC's overhead and common costs varies  
16 depending on a number of factors including demand, competitiveness of the  
17 service, as well as the social and political pressures society places on the ILEC to  
18 provide the service. For example, basic local exchange services provided to  
19 residential customers have traditionally been priced only slightly above TSLRIC  
20 costs, while private line services provided to business customers are often priced  
21 well above TSLRIC and, thus, make a greater contribution to the overhead costs of  
22 the ILEC.

23  
24 **Q. WHY ISN'T TELRIC AN APPROPRIATE METHOD FOR DETERMINING**

1           **THE PRICE FOR EXPEDITING AN ORDER FOR AN UNBUNDLED**  
2           **NETWORK ELEMENT SUCH AS A DS1 CAPABLE LOOP?**

3    A.    As I explained above, the application of TELRIC pricing is limited to Section 251  
4           UNEs. The only pricing authority the Act confers upon state commissions is that  
5           set forth in Section 252(c)(2), which directs states to set prices *in the exercise of*  
6           *their Section 252 arbitration authority* for interconnection services and UNEs that  
7           ILECs provide under Sections 251(c)(2) and (c)(3). Section 252(c)(2) provides  
8           specifically that, in exercising their arbitration authority, states shall determine  
9           "the just and reasonable rate for the interconnection of facilities and equipment  
10          for purposes of subsection [251(c)(2)] . . . [and] for network elements for  
11          purposes of subsection [251(c)(3)]."<sup>12</sup> As shown by this language, nothing in this  
12          section gives states pricing authority over superior services that an ILEC is not  
13          required to provide, such as expedited orders; instead, the authority Congress  
14          granted in that section is plainly limited to elements and services that must be  
15          provided under Section 251(c).<sup>13</sup> Nowhere in Section 251 is there a requirement  
16          for ILECs to provide CLECs with superior service. Furthermore, when the FCC  
17          tried initially to interpret the Section 251(c)(3) requirement to provide  
18          nondiscriminatory access to UNEs as requiring ILECs to provide superior service,  
19          the Eighth Circuit struck this language down as violating the Act.

20          It is important to note that that portion of the Eighth Circuit's decision was never  
21          disturbed by the United States Supreme Court.<sup>14</sup> In fact, the Florida Commission  
22          articulated this point clearly when it said:

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<sup>12</sup> 47 U.S.C. § 252(d)(1).

<sup>13</sup> Qwest witness Renee Albersheim explains why and how expedited orders are a superior class of service in her Direct Testimony, p. 59-60, lines 20-22, 1-10.

<sup>14</sup> See e.g., *Iowa Utilities Board v. AT&T*, 120 F.3d 753, 812-813 (8<sup>th</sup> Cir. 1997), *aff'd in part and rev'd*

1  
2 It is clear there is no obligation imposed or implied in Rule 51.311(b) that  
3 an incumbent render services to a CLEC superior in quality to those  
4 provided to a retail customer requesting similar services. So long as rates  
5 are identical for all requesting parties, CLEC and retail alike, parity exists  
6 in the provisioning structure for service expedites, and there is no conflict  
7 with Rule 51.311(b). We reiterate that current regulations do not compel  
8 an ILEC to provide CLECs with access superior in quality to that supplied  
9 to its own retail customers.<sup>15</sup>

10 Thus, because this Commission's authority to apply TELRIC pricing is limited to  
11 Section 251 services and elements under the Act, and the service of expediting  
12 orders is a superior service not required by Section 251, it would be inappropriate  
13 for the Commission to determine a TELRIC-based price for the Expedited Order  
14 charge.

15  
16 **Q. WHEN YOU SAY THAT THE COMMISSION'S TELRIC PRICING**  
17 **AUTHORITY IS LIMITED, ARE YOU SUGGESTING THAT THE**  
18 **COMMISSION DOES NOT HAVE JURISDICTION OVER WHOLESALE**  
19 **RATES?**

20 A. No. Clearly the Commission has pricing authority under the Act over Section 251  
21 services and elements. Indeed, Qwest has participated in multiple cost dockets  
22 before this Commission in which various rates for Section 251 services and  
23 elements were set. These rates are the rates associated with Qwest's universal  
24 service order codes (USOCs), and are the rates charged by Qwest to CLECs in  
25 Washington. Qwest is not trying to modify any of these rates. These rates are  
26 completely separate from the expedite charge at issue in this proceeding.

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*in part*, 525 U.S. 366, 397 (1999).

<sup>15</sup> *In re Joint Petition by NewSouth et al.*, 2005 Fla. PUC LEXIS 634 \*150, Order No. PSC-05-0975-FOF-TP (Fla. PSC Oct. 11, 2005).

1 The FCC's list of Section 251 elements is generally limited to those elements and  
2 services that are necessary for a CLEC to be able to compete with the ILECs on an  
3 equal footing. In cases where the FCC has found that access to a specific element  
4 in the ILEC's network is not required, the ILEC is free to negotiate a non cost-  
5 based rate with the CLECs. For example, as a part of its Triennial Review Remand  
6 Order (TRRO) the FCC determined that the ILECs were no longer required to  
7 provide CLECs with access to unbundled switching or shared transport at TELRIC  
8 rates, effectively eliminating the Section 251 product that up until then had been  
9 referred to as UNE-P. As a result, Qwest negotiated commercial agreements with  
10 the CLECs and began offering a non-Section 251 product called Qwest Platform  
11 Plus (QPP) at a price that combined both TELRIC and non-TELRIC rates.

12 As discussed above, because the service of expediting an order is a superior service  
13 that allows a CLEC to circumvent the standard installation intervals provided for  
14 UNEs, which are already installed on shorter intervals than Qwest provides for its  
15 retail customers, it cannot be considered a Section 251 service. In fact, the  
16 Expedite Order Charge that Qwest uses for its CLEC customers is the same rate,  
17 and is assessed under the same terms and conditions, as the charge for expedites  
18 that currently exists for both Qwest's retail and wholesale customers in other states.

19  
20 **Q. WHY ISN'T TSLRIC AN APPROPRIATE COST-BASED METHOD FOR**  
21 **DETERMINING THE PRICE FOR EXPEDITING AN ORDER?**

22 A. The reason that TSLRIC cannot be used to "determine the price" for the  
23 Expedited Order Charge is that the purpose of TSLRIC is not to determine a price  
24 but, rather, to establish a price floor for a service. This means that as long as the  
25 service is priced at some level above its direct and indirect costs (i.e., its

1 TSLRIC), then the purpose of TSLRIC has been met. In the case of the  
2 Expedited Order Charge, the way to establish the appropriate level above  
3 TSLRIC for pricing the service is for Qwest to determine the value of an expedite  
4 based on what the market will bear.

5

6 **Q. IS MR. WEBBER'S PROPOSED CHARGE OF \$100 PER DAY A COST-**  
7 **BASED CHARGE?**

8 A. No. As Mr. Webber states on page 87 of his testimony, the \$100 per day fee  
9 proposed by Eschelon is a "compromise." It is not based on any analysis of  
10 Qwest's costs to perform an expedite and is, in fact, below the minimum floor  
11 established in Qwest's TSLRIC study for the activities necessary to complete an  
12 expedite. Nor is Mr. Webber's proposed expedite fee based on any analysis of  
13 the value associated with Eschelon's ability to leapfrog ahead of its competitors'  
14 orders that are already in queue.

15

16 **Q. WHAT IS THE APPROPRIATE BASIS FOR THE EXPEDITED ORDER**  
17 **CHARGE?**

18 A. The fee for an expedited order is payment to Qwest for the value of a premium or  
19 superior service that it provides to the CLECs and its retail and other wholesale  
20 customers alike. It is not based on cost, although Qwest certainly does incur costs  
21 to process a request for an expedited order. For these orders, Qwest must invest  
22 time and resources to work the order into an existing provisioning schedule,  
23 coordinate activities among the several Qwest departments that are involved in  
24 the installation process, and communicate with the customer regarding the status  
25 of the order. However, the value of an expedited order is far more than its cost; it

1 is the intangible benefit of a superior service provided to the customer by Qwest,  
2 *i.e.* the ability to go to the head of the line and leapfrog over the other customers  
3 whose orders are already in queue.

4 If Qwest did not charge its customers for the value they receive in going to the head  
5 of the line, those customers would receive an unfair advantage over other  
6 customers. By making expedites available to all of its customers for a fee, every  
7 customer has the same ability as every other customer to decide for itself how  
8 important it is to obtain expedited orders. Obviously, it would be impossible for  
9 Qwest to expedite every order; thus, Qwest sets a price for obtaining superior  
10 service that guarantees that only those customers for whom the priority to expedite  
11 an order is very high will request the service.

12

13 **Q. ARE THERE SIMILAR EXAMPLES IN EVERYONE'S COMMON**  
14 **EXPERIENCE THAT COULD HELP EXPLAIN THIS CONCEPT?**

15 A. Yes. Take a concert, for example. Whether it is a rock concert, a symphony or a  
16 country and western concert, they all have one thing in common: concert-goers  
17 pay a premium for seats that are up front and closer to the stage than they do for  
18 seats that are in the back and farther away from the stage. And while it does not  
19 cost any more to produce a show for the people in the front row than it does to  
20 produce a show for the people in the last row, it is not unusual for the people in  
21 the front row to pay a ticket price that is two or three times higher than the price  
22 for back-row tickets. The reason some concert-goers are willing to pay the higher  
23 price is because they perceive enough value in being close to the stage to make it  
24 worth paying the premium fee. Other concert-goers are willing to sit farther away  
25 to pay a lower price.

1 The same is true of expedite charges; some customers, including CLECs, are  
2 willing to pay a premium in order to receive what they perceive to be the superior  
3 service of shortening their installation interval and moving to the head of the line.  
4 Other CLECs are satisfied to accept the standard installation interval and forego  
5 paying the additional fee. Each CLEC makes the choice to pay the fee or not on the  
6 basis of the perceived value to their business to expedite orders. This is no  
7 different than the decision process that Qwest's retail and other wholesale  
8 customers go through when they determine whether or not to pay to expedite their  
9 installation orders.

10

11

## VI. CONCLUSION

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

13 **A.** Yes, it does.