

**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**

**REBUTTAL TESTIMONY  
OF TERESA K. MILLION  
QWEST CORPORATION**

**Issue Nos. 4-5, 8-20, 8-21, 8-22, 9-43, 9-44, 9-51 and 12-67.**

**APRIL 3, 2007**

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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 Street, Room  
8 4700, Denver, Colorado.

9

10 **Q. ARE YOU THE SAME TERESA MILLION WHO FILED DIRECT AND**  
11 **REBUTTAL 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 9-51, Application of  
21 UDF-IOF Termination Rate Element; and Mr. James Webber with respect to  
22 Issue No. 12-67, Expedite Order Charge.

23

1 **III. RESPONSE TO MR. STARKEY**

2 **ISSUE 8-21 - DC POWER PLANT**

3 **Q. MR. STARKEY STATES, AT PAGE 69 OF HIS TESTIMONY, THAT**  
4 **QWEST STRUCTURED ITS POWER PLANT RATE ON THE BASIS OF**  
5 **USAGE. DO YOU AGREE?**

6 A. No. As I pointed out in my direct and rebuttal testimony, Qwest's power plant  
7 rate is not developed using -- or based upon -- any concept of actual power usage.  
8 Clearly, there is no correlation between the cost per amp of power plant generated  
9 by Qwest's study and Mr. Starkey's contention that it should be applied on a per-  
10 amp-used basis. And although Mr. Starkey made this same argument on behalf of  
11 McLeod, the ALJ in Washington understood this when she stated in her order in  
12 the McLeod proceeding that the "Qwest collocation power plant rate was not  
13 developed on a "usage" basis, as McLeod claims. Even though the word "usage"  
14 is found in the formula, the rate was developed to get at what the cost of  
15 hypothetical power plant would be on a per amp basis, without regard to usage."<sup>1</sup>  
16 Furthermore, it defies reason that Mr. Starkey would argue that Qwest's rate is or  
17 should be applied on a usage basis. The power plant rate resulted from a  
18 contested case in which Qwest's cost studies were closely scrutinized by the  
19 parties. Qwest filed its cost docket rates via a compliance filing process that  
20 included further review by parties and Staff and posted those rates publicly in  
21 Exhibit A to its Washington SGAT (Statement of Generally Available Terms).  
22 Through it all, the power plant rate was described as applying on a per-amp-

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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, ¶ 58, ("Washington Recommended Decision"). The Washington Commission has subsequently issued its Final Order in the McLeod Complaint case which affirms this Initial Order.

1 ordered basis, and as pointed out above, there was specific discussion about that  
2 in the Commission's decision in the docket. The resulting cost docket rate was  
3 billed to the CLECs on a per-amp-ordered basis and no CLEC complained about  
4 Qwest's application of the rate. If there had been any question about the way the  
5 rate was being charged, it would have been brought to light before now. In Utah,  
6 the Commission pointed out in its decision on the McLeod complaint that the  
7 record did not "contain any evidence that McLeod, prior to May 2005, raised any  
8 concern of discriminatory conduct with Qwest pertaining to its collocation power  
9 plant engineering or billing."<sup>2</sup> Thus, as the Utah Commission found, the only  
10 chargeable unit developed in Qwest's cost study is the cost of an amp of power  
11 plant capacity and nothing in that rate development has anything to do with the  
12 actual electrical current that any telecommunications equipment in a central office  
13 might consume.

14  
15 **Q. MR. STARKEY STATES AT PAGE 74 THAT QWEST HAS NOT MADE**  
16 **ANY ADDITIONAL INVESTMENT IN ITS POWER PLANT WHEN IT**  
17 **BEGINS TO CHARGE ESCHELON. DO THE FCC'S TELRIC PRICING**  
18 **RULES REQUIRE QWEST TO ADD CAPACITY TO ITS POWER PLANT**  
19 **IN ORDER TO CHARGE CLECS FOR POWER PLANT?**

20 A. No. As I stated in my rebuttal testimony, there is nothing in the FCC's TELRIC  
21 rules that requires Qwest to add to its existing power plant to accommodate  
22 CLEC demand for capacity. If Qwest's power plant, as it existed in 1996, had

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<sup>2</sup> *In the Matter of the Complaint of McLeodUSA Telecommunications Services, Inc., vs. Qwest Corporation for Enforcement of Commission-Approved Interconnection Agreement*, Public Service Commission of Utah, Docket No. 06-2249-01, Report and Order, September 28, 2006, pg. 25, ("Utah Report and Order").

1 had adequate capacity to meet CLEC demand Qwest would have been under no  
2 obligation to build additional plant to accommodate that demand and Qwest  
3 would still have been entitled to charge the CLECs for the amount of power plant  
4 capacity made available to them. In point of fact, Qwest sometimes, though not  
5 always, did increase the size of its power plant on the basis of the orders it  
6 received from the CLECs for power feeds during 1999 and 2000 and its  
7 assumptions about the amount of power capacity that it would need to make  
8 available to the CLECs based on those orders. Nevertheless, Qwest's power plant  
9 study still calculates cost on the basis of an Amp of power plant capacity and not  
10 on the basis of the size of any given power plant or the actual usage of electrical  
11 current coming through it.

12  
13 **Q. DID MCLEOD MAKE THE SAME ARGUMENTS ABOUT THE**  
14 **ENGINEERING OF QWEST'S POWER PLANT THAT MR. STARKEY**  
15 **PRESENTS IN THIS PROCEEDING?**

16 A. Yes. Mr. Starkey has made those same arguments on behalf of McLeod in  
17 several states including Washington, Utah and Arizona.<sup>3</sup> In evaluating the  
18 instructiveness of those arguments in determining the proper application of  
19 Qwest's power plant rates, the Washington ALJ found that "McLeod's arguments  
20 are generally unpersuasive."<sup>4</sup> Furthermore, Mr. Starkey argued for McLeod, as  
21 he does for Eschelon, that based on Qwest's engineering practices Qwest's power  
22 plant rate as currently applied is discriminatory. However, confirming the ALJ's

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<sup>3</sup> Although there has been no decision to date in the McLeod Power proceeding in Arizona, the final Commission orders in Washington and Utah have both found in Qwest's favor on arguments by McLeod that are similar to those presented by Eschelon in this proceeding.

<sup>4</sup> Washington Recommended Decision at ¶ 62.

1 recommended decision in its Final Order, the Washington Commission concluded  
2 “that McLeod failed to meet its burden to show that Qwest’s DC Power rate is  
3 improperly discriminatory.”<sup>5</sup> In Eschelon’s Minnesota arbitration, the Arbitrator  
4 determined that “there is no evidentiary basis for drawing such a conclusion  
5 here.”<sup>6</sup> In fact, in its decision in the McLeod Power Complaint the Utah  
6 Commission stated, “We find nothing in the ICA, statute, regulation, or  
7 Commission order that would require Qwest to do more than it is now doing;  
8 namely, billing McLeod for its collocation power plant based upon McLeod’s  
9 orders for power distribution cable. We therefore conclude Qwest’s billing to  
10 McLeod for DC Power Plant does not constitute discriminatory conduct.”<sup>7</sup> Thus,  
11 in the McLeod proceedings, Mr. Starkey has been unable to prevail on the issue  
12 of discrimination. Eschelon and Mr. Starkey are advancing the same  
13 discrimination contention here, and, like this Commission and the other  
14 commissions in the McLeod proceedings, this Commission should again reject  
15 the contention.

16  
17 **ISSUES 9-43 and 9-44 – CONVERSIONS**

18 **Q. MR. STARKEY SAYS AT PAGE 102 OF HIS REBUTTAL TESTIMONY**  
19 **THAT ESCHELON DOESN’T HAVE A CHOICE WHEN CONVERTING**  
20 **ITS EXISTING UNE CIRCUITS. DO YOU AGREE?**

21 **A.** No. In fact, the TRRO mandated that within twelve months from the effective

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<sup>5</sup> *McLeodUSA Telecommunications Services, Inc. v. Qwest Corporation*, Washington State Utilities and Transportation Commission, Docket UT-063013, Order 04, Final Order Affirming Initial Order; Denying Petition for Enforcement, February 15, 2007, pg. 7, ¶ 24. (“Final Order”).

<sup>6</sup> Arbitrator’s Report at ¶ 108.

<sup>7</sup> Utah Report and Order at pg. 26.

1 date of the order CLECs "...must transition the affected DS1 or DS3 dedicated  
2 transport UNEs to alternative facilities or arrangements."<sup>8</sup> Further, as I pointed  
3 out in my rebuttal testimony, the FCC specifically identified that those alternative  
4 arrangements would include "...self-provided facilities, alternative facilities  
5 offered by other carriers, or special access services offered by the incumbent  
6 LEC."<sup>9</sup> Clearly, the twelve month transition period contemplated by the FCC has  
7 come and gone and CLECs have had ample time to evaluate alternative  
8 arrangements for serving their customers going forward. The fact that certain  
9 CLECs have refused to transition as the FCC anticipated does not change the fact  
10 that for wire centers the FCC has deemed to be "non-impaired," Qwest is no  
11 longer required to provide access to DS1 or DS3 UNE loops or inter-office  
12 transport. Yet many CLECs, including Eschelon, have remained on Qwest's  
13 UNE facilities well beyond the time identified by the FCC. As I pointed out in  
14 my direct testimony, this language in the TRRO means not only that Qwest is no  
15 longer required to price these services at TELRIC rates, but that the FCC  
16 recognized an ILEC's existing special access (private line) services as one of the  
17 alternatives available to CLECs after transition.

18 UNEs are priced at TELRIC; therefore, in order for Qwest to be able to price these  
19 alternative services at something other than TELRIC, as the TRRO permits, it is  
20 necessary for Qwest to convert UNEs to private line services. If Qwest were not  
21 allowed to convert the UNE circuits to private line circuits, the FCC's non-  
22 impairment findings in the TRRO would essentially be rendered meaningless.

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<sup>8</sup> *TRRO*, ¶ 143. (Emphasis added)

<sup>9</sup> *Id.* at ¶ 142.



1 Thus, to the extent that Qwest incurs costs to facilitate the CLEC's conversion from  
2 one type of product (a UNE) to a separate and distinguishable product (a private  
3 line service), Qwest should be entitled to assess an appropriate charge.  
4

5 **Q. MR. STARKEY SAYS AT PAGE 104 THAT YOUR TESTIMONY DOES**  
6 **NOT ADDRESS THE FCC RULES PROHIBITING QWEST FROM**  
7 **CHARGING CLECS FOR THE NONRECURRING COSTS OF**  
8 **CONVERTING CIRCUITS FROM UNES TO PRIVATE LINE SERVICES.**  
9 **PLEASE COMMENT.**

10 A. As I pointed out in my rebuttal testimony, what the FCC rules and orders require  
11 is that Qwest not charge "...*untariffed* termination charges, or any disconnect  
12 fees, re-connect fees, or charges associated with establishing a service for the first  
13 time..."<sup>10</sup> The point the FCC was making with the passages quoted by Mr.  
14 Starkey in his direct testimony is that the LECs should not be able to receive a  
15 windfall or be unjustly enriched as a result of converting CLEC circuits from  
16 UNEs to private lines. The FCC said nothing about prohibiting a LEC from  
17 recovering its legitimate and necessary costs of conversion. Although the FCC  
18 may have thought that such conversions would be largely a billing function, the  
19 FCC also contemplated that CLECs could be transitioned to special access  
20 facilities. And, as I've explained in both my direct and rebuttal testimonies, that  
21 requires a change in product from a wholesale UNE product purchased only by  
22 CLECs through Interconnection Agreements (ICAs) to a tariffed service  
23 purchased by CLECs, other interconnecting companies and Qwest's retail  
24 customers through commercial contracts. UNEs and special access or private line

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<sup>10</sup> Starkey Direct, pg. 161, quoting 47 CFR §51.316(c). (Emphasis added)

1 services are clearly distinguishable from each other, not only by price and  
2 classification, but also by the customers to whom they are available and by the  
3 differing ordering, maintenance and repair processes that attach to each of them.  
4 Qwest tracks inventory, as well as provisioning, repair and maintenance attributes  
5 of these distinct products through the use of circuit IDs. Because of this change  
6 in product, Qwest incurs costs in the process of converting UNE transport or  
7 high-capacity loops to the alternative facilities and arrangements contemplated by  
8 the FCC in the TRRO. Therefore, Qwest should be permitted to assess an  
9 appropriate tariffed charge, or as Qwest proposes in this proceeding, a charge  
10 approved by this Commission in a cost docket. In the case of the conversions of  
11 UNEs to alternative facilities, but for the conversion, Qwest would not have to  
12 incur the costs of performing the associated tasks.  
13

14 **Q. ARE YOU SUGGESTING BY YOUR TESTIMONY THAT QWEST**  
15 **INTENDS TO PHYSICALLY MOVE THE CLEC FROM ONE CIRCUIT TO**  
16 **ANOTHER DURING THE CONVERSION, AS MR. STARKEY SAYS AT**  
17 **PAGE 105?**

18 A. No. As I pointed out in my direct testimony, because of the change in the nature  
19 of these circuits from UNE products to private line services, and because these  
20 circuits are billed, inventoried and maintained differently in Qwest's systems,  
21 Qwest must process them as an "order-out" and an "order-in." This means that  
22 Qwest must change the circuit identifiers to move them from one product  
23 category to the other. For several of Qwest's systems, including the TIRKS  
24 database and the WFA system, circuit IDs provide vital information, such as  
25 whether a circuit is a UNE or a private line, what type of testing parameters

1 apply, and which maintenance and repair center is responsible for that circuit. So,  
2 although the physical facility itself does not change, the way in which it must be  
3 identified in Qwest's systems and operationally in its centers does change.

4 Thus, as I've explained, in order to ensure that the conversion process is transparent  
5 to the CLEC and its customers' services, Qwest performs a number of manual  
6 activities during the process so that certain automated steps do not occur that could  
7 otherwise result in disruption of those services. The purpose of many of the tasks  
8 included in the conversion process is to avoid placing the CLECs' end-user  
9 customers at risk during the automatic processing of the order-out and order-in  
10 required to change from a UNE product category to a private line product category.  
11

12 **Q. IS IT TRUE, AS MR. STARKEY SAYS AT PAGE 107, THAT THE RATES**  
13 **QWEST PROPOSES FOR CONVERSIONS ARE NOT TELRIC-BASED?**

14 A. No. As I stated in my direct testimony at page 19, Qwest proposes to charge  
15 Eschelon the rate of \$36.86 for converting UNE loops, including Enhanced  
16 Extended Loops ("EEL") and Loop Mux Combo ("LMC"), to private line  
17 circuits. While this is not a Commission approved rate in Washington, it is based  
18 on a TELRIC study and is actually lower than the \$40.32 TELRIC based rate  
19 approved by the Arizona Commission in Order No. 64922 (Cost Docket No. T-  
20 00000A-00-0194, Phase II) for private line to unbundled conversions. In  
21 addition, Qwest proposes to charge the same \$126.01 TELRIC-based rate for  
22 converting unbundled dedicated interoffice transport (UDIT) to private line  
23 circuits as is contained in other CLECs' ICAs.  
24

25 **Q. MR. STARKEY SAYS AT PAGE 108, FOOTNOTE 282, THAT THE 500**

1           **CONVERSIONS YOU DISCUSS IN YOUR DIRECT TESTIMONY ARE**  
2           **NOT THE SAME AS THE CONVERSIONS DISCUSSED HERE. IS HE**  
3           **CORRECT?**

- 4    A.    No. As I pointed out in both my direct and rebuttal testimonies, as of April 2005,  
5           because of the difficulties Qwest faced in allowing CLECs to maintain their  
6           circuit IDs when converting private lines to UNEs, any circuit additions or  
7           changes made to circuits after that date are required to change circuit IDs as well.  
8           This is effectively the same process for private line to UNE conversions as Qwest  
9           has implemented for UNE to private line conversions. In both cases, there is an  
10          order-out and an order-in processed that changes the circuit ID so that the product  
11          is identified appropriately in Qwest systems and operational centers for purposes  
12          of reporting, ordering, maintenance and repair for these two distinct products.  
13          The fact is that since I wrote my direct testimony, I have learned that in 2006  
14          Qwest processed successfully 1,436 UNE to private line conversions for CLECs  
15          who have already made the transition away from UNEs -- as contemplated by the  
16          FCC -- by changing circuit IDs using the steps outlined in my direct testimony.  
17          This process has been transparent to the CLECs who have converted their circuits  
18          from UNEs to private lines while at the same time providing for accurate tracking  
19          and processing of the circuits by product category. Qwest should not be forced to  
20          establish a new product, new processes or new systems at a cost of millions of  
21          dollars in order to track its facilities in another manner when it already has an  
22          existing, equivalent, tariffed product and existing systems and processes that are  
23          available for purposes of continuing to provide those facilities to the CLECs.  
24          Qwest merely proposes to use the systems and processes that have existed for  
25          purposes of provisioning private line circuits for both retail and carrier customers

1 since long before the 1996 Telecom Act was even envisioned. It is far more  
2 efficient, not to mention more cost-effective, for Qwest and its customers,  
3 including its CLEC customers, to take advantage of existing services and thus to  
4 convert CLEC UNEs to private line circuits in non-impaired wire centers than it  
5 would be to develop an entirely new product. However, these conversions do not  
6 come without costs. And, just as there would be costs to CLECs if they choose to  
7 move to their own facilities, or costs if they were to lease facilities from other  
8 carriers, there are costs if they choose to remain on Qwest's facilities.

9  
10 **IV. RESPONSE TO MR. DENNEY**

11 **ISSUE 4-5 – DESIGN CHANGES**

12 **Q. MR. DENNEY SAYS AT PAGE 15 OF HIS REBUTTAL TESTIMONY**  
13 **THAT ESCHELON PROPOSES TO PAY INTERIM RATES FOR DESIGN**  
14 **CHANGES UNTIL THE COMMISSION APPROVES TELRIC-BASED**  
15 **RATES. HAS THE COMMISSION SET RATES FOR DESIGN CHANGES?**

16 A. Yes. As I explained in my rebuttal testimony, the Commission set TELRIC rates  
17 for design changes in Part D of Docket No. UT-003013 as part of a group of rates  
18 that Qwest refers to as 'Miscellaneous Charges.' See *WNU-42, Section 3.1Q*.

19  
20 **Q. DOES THE RATE THE COMMISSION SET FOR DESIGN CHANGES**  
21 **ONLY APPLY TO TRANSPORT (I.E., UDOT) OR DOES IT ALSO APPLY**  
22 **TO UNBUNDLED LOOPS AND CFA CHANGES?**

23 A. Contrary to Mr. Denney's claim, the Commission-approved rate for design  
24 changes does not apply only to transport. The design change study submitted by  
25 Qwest in Phase D of the Washington cost docket, upon which the Washington

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

19 Finally, it is important to note that the design change element in Washington is, as  
20 Qwest has stated, contained within the Miscellaneous Charges section of its Exhibit  
21 A and not in the section where the rates pertaining specifically to UDIT are  
22 contained. There has never been a dispute about the fact that Qwest's  
23 miscellaneous charges apply in a variety of circumstances and to a variety of  
24 products. The fact that Qwest may not have charged a CLEC the Commission-  
25 approved rate for certain types of design changes does not mean that the costs for

1 those design changes were not included in the cost study and the resulting rate.

2

3 **Q. IS IT UNUSUAL FOR QWEST TO FOREGO CHARGING CLECS FOR**  
4 **RATES THAT HAVE BEEN APPROVED BY THE COMMISSION IN A**  
5 **COST DOCKET?**

6 A. While it is not Qwest's usual practice to forego charging the CLECs Commission-  
7 approved rates, it is not unprecedented. For example, in Washington as part of  
8 Part A of Docket No. UT-003013, Qwest was granted approval to begin charging  
9 the CLECs for OSS. However, Qwest did not begin billing CLECs right away  
10 because Qwest's billing systems required modification in order to be able to  
11 assess the approved charge. As with any company faced with limited resources  
12 and budget constraints, Qwest must prioritize its system changes to meet the most  
13 pressing needs of the business. As a result, Qwest was unable to implement the  
14 billing changes necessary to bill for OSS charges in Washington until the first  
15 quarter of 2005 despite the fact that Part A concluded in 2001. In other instances,  
16 Qwest has voluntarily suspended billing of Commission-approved UNE rates for  
17 various reasons. The point is that just because Qwest has made business  
18 decisions in the past to not charge a particular Commission-approved rate and the  
19 CLECs have benefited from that does not mean Qwest is not entitled to charge the  
20 rate upon notifying the CLECs of its intent.

21

22 **Q. MR. DENNEY STATES ON PAGE 23 THAT BECAUSE QWEST'S COST**  
23 **STUDY FOLLOWED AN ASR FLOW INSTEAD OF AN LSR FLOW IT**  
24 **MUST BE TRANSPORT SPECIFIC. IS THAT ACCURATE?**

25 A. No. While it is true that the study that forms the basis for the design change

1 charge in Washington is based on an ASR (access service request) flow, the  
2 reason is not that it is specific to transport. Rather, the reason the study follows  
3 an ASR flow is because the TELRIC design change study that was presented in  
4 Washington in Phase D of the cost docket was modeled based upon Qwest's  
5 existing TSLRIC design change study for access services, including switched and  
6 special access. In other words, at the time that Qwest was developing a TELRIC  
7 rate for design changes, it already had a TSLRIC study for access services and the  
8 relatively new UNE study was simply set up to mimic the existing TSLRIC study.  
9 The fact is that access services follow an ASR flow regardless of whether they  
10 involve private line loops or transport, and the design change charge that Qwest  
11 had developed for its access services was not limited to transport specific  
12 changes. That is why the executive summary description of the design change  
13 charge discussed above was developed to apply to a variety of circumstances and  
14 a variety of products.

15 It is only in the case of UNEs that service order flows for ASRs can be identified  
16 with transport and LSRs are identified with loops. And while it may have been  
17 ideal to have developed a design change rate for UNEs that took into account both  
18 types of order flows, the use of an existing ASR order flow provided a simplifying  
19 assumption in Qwest's TELRIC study filed initially in Washington on November 7,  
20 2001. Contrary to Mr. Denney's assertions, the use of either an ASR or LSR order  
21 flow has only a minimal impact on the overall cost of design changes. For  
22 example, Qwest's current TELRIC study for design change (filed in Minnesota in  
23 December 2006) assumes a 100% LSR order flow, again as a simplifying  
24 assumption, resulting in less than 5 minutes difference in time and less than \$3  
25 difference in cost (related to order flow) between the two studies.



1 **Q. IS IT NECESSARY TO DEVELOP SEPARATE CHARGES FOR THE**  
2 **VARIOUS TYPES OF DESIGN CHANGES AS MR. DENNEY SUGGESTS?**

3 A. No. As I pointed out in my rebuttal testimony, neither this Commission nor the  
4 FCC has required Qwest to provide nonrecurring charges to cover every possible  
5 nuance of every possible way that every possible product might be provisioned by  
6 Qwest for the CLECs. Nor would it be appropriate to micromanage Qwest's  
7 product offerings by requiring it to provide costs and processes to address every  
8 possible "flavor" of provisioning activity in an increasingly competitive  
9 environment.

10 Eschelon has taken advantage of the fact that the design change charge as it is  
11 applied to UDIT is lower than it would be if the costs were calculated on a stand-  
12 alone basis. At the same time, by its own admission,<sup>11</sup> Eschelon has had the benefit  
13 of no charge for design changes to unbundled loops. Now that Qwest has  
14 determined to exercise its right to charge the CLECs for all of the design change  
15 types included in the calculation of its rate, Mr. Denney would have this  
16 Commission believe that Qwest must accept interim rates for those design changes  
17 and then seek permanent rates from the Commission in a different proceeding.<sup>12</sup> As  
18 I have pointed out above, Qwest has already received approval from this  
19 Commission for a design change charge that is an average of the costs for  
20 performing a design change for all types of products, under all types of  
21 circumstances.

22

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<sup>11</sup> Denney Direct, pg. 27.

<sup>12</sup> Denney Direct, pg. 24.

1 **Q. MR. DENNEY STATES, ON PAGE 21 OF HIS TESTIMONY, THAT A FEW**  
2 **MINUTES OF A CENTRAL OFFICE TECHNICIAN’S TIME SHOULD**  
3 **NOT AMOUNT TO A CHARGE OF \$53.65. IS THERE ANY**  
4 **RELATIONSHIP BETWEEN THIS TECHNICIAN TIME AND THE RATE**  
5 **THIS COMMISSION HAS ESTABLISHED FOR DESIGN CHANGES?**

6 A. No. The fact is that the design change charge does not include any cost for the  
7 central office technician’s time required for a design change. Mr. Denney’s  
8 assertion seems aimed more at confusing the reader than adding relevant  
9 information to the discussion of the issue. The design change is a charge based  
10 on Qwest’s cost to process changes to an existing order at the request of a  
11 customer (such as Eschelon) associated with a design change and to provide a  
12 new design, including CFA changes, as well as processing updates to systems and  
13 databases pursuant to that request. Furthermore, Mr. Denney points to a design  
14 change charge of \$53.65 which, in Washington, is based on manual submissions  
15 of orders by CLECs. He fails to mention that Qwest also has an approved design  
16 change charge for mechanical order submissions that is lower at \$50.45. And,  
17 contrary to Mr. Denney’s assertions, those costs are not recovered in any of  
18 Qwest’s other installation charges and so do not result in double recovery. This is  
19 because those costs are not triggered unless a CLEC asks Qwest to interrupt the  
20 flow of an order to make a design change or until an order cannot be completed  
21 on a due date because the CFA information provided for the order is incorrect.  
22 Regardless of the cause of the design change, Qwest must interrupt the order  
23 flow, correct the information in its systems and reinitiate the order process so that  
24 the order can complete with the new design or corrected information. These steps  
25 occur whether the initial order was placed as a basic installation or as a

1 coordinated cut. And again, contrary to Mr. Denney's assertions on page 22, the  
2 coordinated installation that Eschelon pays for does not include costs for the  
3 activities included in the design change charge. This is because the cost for a  
4 coordinated installation, just like a basic installation or any of the other flavors of  
5 installation, is based on the assumption that the order will process through  
6 Qwest's systems and the groups involved in provisioning once, from beginning to  
7 end without interruption. This is not to say that there are no assumptions included  
8 in the installation costs to address manual handling at various points in the  
9 process due to fall out; however, those assumptions do not cover situations where  
10 the order must be reinitiated and completed with a different design. Mr.  
11 Denney's attempts to suggest that these costs are recovered in some other charge  
12 that Eschelon pays are no different than his incorrect suggestion that the design  
13 change charge covers the cost of a "few minutes of central office technician's  
14 time."<sup>13</sup>  
15

16 **ISSUE 8-20 – AVAILABLE INVENTORY**

17 **Q. MR. DENNEY CONTINUES TO MAINTAIN THAT QWEST SHOULD NOT**  
18 **BE ENTITLED TO CHARGE A QPF FOR AN AVAILABLE INVENTORY**  
19 **SITE. HOW DO YOU RESPOND?**

20 A. As I stated in my rebuttal testimony, these QPF charges recover much more than  
21 just the costs to physically prepare the quote. Section 8.3.1.3 of the ICA  
22 describes the QPF, and makes clear that this charge covers much more than the  
23 mere physical generation of the quote, as the costs recovered by the QPF include:  
24 "order validation, Collocation project management, space verification, inventory

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<sup>13</sup> Denney Rebuttal, pg. 21.

1 of all reusable elements, preparation of new design work package (power and  
2 space planning and engineering, entrance facility engineering and construction (as  
3 required), engineering of additional elements and associated database changes  
4 (e.g., deleting old terminations from vacating CLEC and establishing assuming  
5 CLEC terminations), and preparation of initial quote.” Even in the case of an  
6 identical request from a different CLEC and an identical price quote, Qwest must  
7 still, for instance, validate the order, manage the collocation project, reconfirm the  
8 reusable elements, and complete power and space engineering. Qwest is entitled  
9 to recover those costs. Mr. Denney presents no evidence that any of these steps  
10 are not necessary when Eschelon seeks a quote for an available site. Again, as I  
11 have stated previously, exploring in detail the nature of the costs recovered by this  
12 rate is an inquiry that belongs in an appropriate cost proceeding.  
13

14 **ISSUE 8-22 - DC POWER REDUCTION AND POWER RESTORATION QPF**

15 **Q. MR. DENNEY CLAIMS, AT PAGE 71 OF HIS REBUTTAL TESTIMONY,**  
16 **THAT QWEST’S QPF IS UNNECESSARY BECAUSE QWEST ALREADY**  
17 **HAS AN NRC ESTABLISHED FOR POWER REDUCTION. DO YOU**  
18 **AGREE?**

19 A. No. As I stated in my direct and rebuttal testimony, the nonrecurring charges  
20 (NRCs) that he refers to that are established for power reduction are related to the  
21 Qwest labor and materials associated with performing the work to remove or  
22 reduce the power feeds for a CLEC in the central office. As Mr. Denney points  
23 out on page 71 of his testimony, the “nonrecurring charge contains the cost to  
24 perform the DC Power Reduction” – it does not recover costs for planning and  
25 engineering work. Qwest’s QPF charge is related to the engineering, project

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>14</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. MR. DENNEY SAYS AT PAGE 73 OF HIS TESTIMONY THAT YOU**  
13 **ATTEMPT TO MAKE THE WORK FOR POWER REDUCTION SOUND**  
14 **MORE COMPLICATED THAN IT IS. PLEASE COMMENT.**

15 A. Mr. Denney's testimony is that because Eschelon pays a non-recurring charge for  
16 Power Reduction it should not also have to pay a QPF. I am not under the  
17 impression that Eschelon is challenging the power reduction rate, nor would I  
18 characterize my description of that rate as being complicated. I merely state that  
19 the nonrecurring charge for power reduction recovers Qwest's labor and materials  
20 to reduce power feeds for a CLEC. The purpose of my testimony is simply to  
21 point out that the activities included in the cost for Power Reduction are not the  
22 same as and do not overlap with the activities recovered in the cost for a QPF  
23 which recovers the costs for planning and engineering work. Mr. Denney claims  
24 that I confuse two concepts, power reductions that are simple with those

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<sup>14</sup> Denney Rebuttal, pg. 71.

1 involving location changes which are more involved and include power cabling  
2 changes. Contrary to Mr. Denney's assertion, I am not confused about the  
3 differences between these two types of reductions, but I am confused by Mr.  
4 Denney's testimony. How does Mr. Denney think that Qwest's personnel will  
5 know the difference between these two types of power reductions unless they  
6 perform the planning and engineering work to determine which is necessary in a  
7 given circumstance? He says that Eschelon agrees to compensate Qwest for costs  
8 associated with location changes, including the engineering and planning, but  
9 Eschelon is plainly attempting to avoid paying for the QPF that is essential to  
10 performing such changes.

11  
12 **ISSUE NO. 9-51 – APPLICATION OF UDF-IOF TERMINATION RATE**

13 **ELEMENT**

14 **Q. PLEASE DISCUSS THE DISPUTE RELATED TO ISSUE 9-51.**

15 A. The issue concerns a dispute about how to define the termination rate elements  
16 for unbundled dark fiber (UDF) interoffice facilities (IOF). Eschelon has  
17 proposed through its definition of these rate elements to limit UDF-IOF  
18 terminations to two per pair -- in other words, one for each end of the termination  
19 path. However, Qwest has consistently applied this rate on a per termination  
20 basis. In other words, Qwest has applied this rate based on one termination on  
21 each end of the path plus additional terminations at each of the intermediate  
22 offices through which the UDF-IOF passes along its designated route. The  
23 number of terminations required depends on the path of the UDF-IOF, the actual  
24 configurations of the central offices, and what is needed to deliver dark fiber as  
25 ordered by the CLEC to the CLEC's collocation space.

1 **Q. IS QWEST'S CALCULATION OF COSTS FOR TERMINATION**  
2 **ELEMENTS CONSISTENT WITH ITS PROPOSED APPLICATION OF**  
3 **THE RATE?**

4 A. Yes. Qwest's recurring costs for UDF-IOF terminations were developed on a per  
5 termination basis, assuming the average cost to terminate a fiber at a fiber  
6 distribution panel (FDP). The termination costs are calculated per FDP assuming  
7 the network components for a single bay divided by the total terminations per  
8 bay. There are no assumptions in the study regarding typical dark fiber  
9 configurations or the number of terminations that might be necessary for any  
10 given configuration because the study assumes that a charge will apply for each  
11 termination based on the actual configurations required to provide dark fiber to  
12 the CLECs.  
13

14 **Q. HAS QWEST BASED ITS APPLICATION OF THESE RATES ON THIS**  
15 **METHOD OF CALCULATING TERMINATION COSTS?**

16 A. Yes. Since these rates were approved by the Commission, Qwest has consistently  
17 applied them for all CLECs on a per termination basis -- the number of dark fiber  
18 terminations required for the specific route requested by the CLEC. This  
19 application of termination rates is no different than what Qwest is proposing for  
20 terminations in Eschelon's case. Thus, Mr. Denney is wrong when he suggests at  
21 page 121 of his direct testimony that Qwest is changing the application of these  
22 rates for Eschelon, but not for other carriers. Qwest is merely trying to ensure  
23 that its description of these rate elements in Eschelon's ICA is consistent with the  
24 way that Qwest has applied them since they were approved by this Commission.  
25





1 as violating the Act. It is important to note that that portion of the Eighth  
2 Circuit's decision was never disturbed by the United States Supreme Court.<sup>16</sup> In  
3 fact, the Florida Commission articulated this point clearly when it said:

4  
5 It is clear there is no obligation imposed or implied in Rule  
6 51.311(b) that an incumbent render services to a CLEC  
7 superior in quality to those provided to a retail customer  
8 requesting similar services. So long as rates are identical  
9 for all requesting parties, CLEC and retail alike, parity  
10 exists in the provisioning structure for service expedites,  
11 and there is no conflict with Rule 51.311(b). We reiterate  
12 that current regulations do not compel an ILEC to provide  
13 CLECs with access superior in quality to that supplied to its  
14 own retail customers.<sup>17</sup>

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

20 Second, in order to interpret, as Mr. Webber has, that Qwest's charging of a non  
21 cost based price is discriminatory, one would have to conclude that Qwest is  
22 obligated in all cases to charge CLECs only its own costs. If that were the case, the  
23 FCC would have established a costing methodology for UNEs based on Qwest's  
24 actual cost for its embedded network. It did not. Instead the FCC established a  
25 methodology (TELRIC) that requires Qwest to determine the average cost of  
26 various network elements based on a hypothetical, forward-looking network. If  
27 Qwest's actual costs based on the embedded network were the appropriate standard

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<sup>16</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 in part*, 525 U.S. 366, 397 (1999).

<sup>17</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 under the FCC's rules Qwest would be charging CLECs much higher rates for  
2 many unbundled network elements that it is required to provide at forward-looking  
3 TELRIC rates which are well below the costs Qwest actually incurs. Nevertheless,  
4 as I have explained above, TELRIC is not the appropriate pricing method to apply  
5 in the case of expedites. Alternatively, to accept Mr. Webber's discrimination  
6 argument, one would have to assume that Qwest is obligated to charge CLECs only  
7 amounts it imputes to itself for services it provides to the CLECs. Again, this is not  
8 a proper interpretation of the FCC's nondiscrimination requirement. McLeod tried  
9 to make a similar argument in its DC Power Complaint case in Washington.  
10 However, the Commission found in that proceeding that "[w]e have long held that a  
11 utility may charge different rates for the same service if it is reasonable to do so. In  
12 this case, Qwest does not "collocate" equipment, hence its imputed rates for DC  
13 power may reasonably differ from the rates it charges CLECs under negotiated  
14 interconnection agreements. Moreover, Qwest provided evidence that it does not  
15 assign power costs to itself solely on a measured basis, but rather that it takes into  
16 account the total costs for power plant which do not vary with usage. The fact that  
17 Qwest does not impute to itself the same costs for DC power that it charges  
18 McLeod does not of itself constitute improper discrimination."<sup>18</sup> The fact is, that  
19 regardless of Qwest's own costs to provide expedites for its retail customers, Qwest  
20 has determined a rate based on the value of an expedite that it has already  
21 established for purposes of charging its own customers. By charging that same  
22 amount to Eschelon, an amount that Eschelon can pass along to its retail customers,  
23 Eschelon's end-user customers are placed in the same position as Qwest's end-user  
24 customers when an expedite is requested.

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<sup>18</sup> Final Order, pg. 7, ¶ 24.

1 **Q. MR. WEBBER ARGUES AT PAGE 64 OF HIS REBUTTAL TESTIMONY**  
2 **THAT QWEST HAS OTHER PREMIUM CHARGES THAT ARE BASED**  
3 **ON TELRIC PRICING. PLEASE COMMENT.**

4 A. Mr. Webber has pointed at two of Qwest's labor rates that have the word  
5 *premium* in their title and concluded that these are TELRIC based rates for  
6 premium services. This only shows that Mr. Webber does not have any  
7 understanding of what these rates represent. The designation of *premium*  
8 associated with these rates has nothing to do with their status as premium  
9 services, rather this designation refers to the fact that they are based on labor rates  
10 for employees working during premium hours (such as on Sundays and Holidays)  
11 at higher rates of pay.

12  
13 **Q. IS ESCHELON'S PROPOSED CHARGE OF \$100 PER EXPEDITE A**  
14 **COST-BASED CHARGE?**

15 A. No. As Mr. Webber states on page 85 of his direct testimony, the \$100 per day  
16 fee proposed by Eschelon is a flat per order charge. It is not based on any  
17 analysis of Qwest's costs to perform an expedite and is, in fact, below the  
18 minimum floor established in Qwest's TSLRIC study for the activities necessary  
19 to complete an expedite. Nor is Mr. Webber's proposed expedite fee based on  
20 any analysis of the value associated with Eschelon's ability to leapfrog ahead of  
21 its competitors' orders that are already in queue.

22  
23 **Q. ESCHELON HAS ARGUED IN OTHER JURISDICTIONS THAT QWEST'S**  
24 **DUE DATE CHANGE CHARGE SUPPORT ITS LOWER PROPOSAL FOR**  
25 **AN EXPEDITE CHARGE. PLEASE COMMENT.**

1 A. A careful reading of the definition of the Due Date Change charge will show the  
2 fallacy of comparing it with the Expedite charge proposed by Qwest. The Due  
3 Date Change charge applies in instances when the CLEC wants to change the due  
4 date to a *later* date, after the technician has been assigned or dispatched on the  
5 original due date. In the case of an Expedite charge, the charge is based on the  
6 value to the customer of being able to go to the head of the line and have its order  
7 worked ahead of orders that are already in queue. As I explained in my rebuttal  
8 testimony the basis for this service is that there is value to the CLEC to have the  
9 ability to leapfrog ahead of other customers. In the case of a Due Date Change,  
10 the CLEC is not asking to move its date ahead of everyone else, it has missed the  
11 original due date and Qwest is simply trying to recoup its cost for having to  
12 dispatch a technician again to complete the work at a later time.  
13

14 **Q. HOW IS A VALUE BASED CHARGE SUCH AS AN EXPEDITE**  
15 **DETERMINED?**

16 A. As I explained in my rebuttal testimony, Qwest's expedite charge is not based on  
17 cost, although Qwest certainly does incur costs to process a request for an  
18 expedited order. For these orders, Qwest must invest time and resources to work  
19 the order into an existing provisioning schedule, coordinate activities among the  
20 several Qwest departments that are involved in the installation process, and  
21 communicate with the customer regarding the status of the order. However, the  
22 value of an expedited order is the intangible benefit of a superior service provided  
23 to the customer by Qwest, *i.e.*, the ability to go to the head of the line and  
24 leapfrog over the other customers whose orders are already in queue. As I've  
25 explained previously, if Qwest did not charge its customers for the value they

1 receive in going to the head of the line, those customers would receive an unfair  
2 advantage over other customers. By making expedites available to all of its  
3 customers for a fee, every customer has the same ability as every other customer  
4 to decide for itself how important it is to obtain expedited orders. Obviously, *it*  
5 *would be impossible for Qwest to expedite every order*; thus, Qwest sets a price  
6 for obtaining superior service that guarantees that only those customers for whom  
7 the priority to expedite an order is very high will request the service.  
8

9 **Q. HAVE YOU PROVIDED AN EXAMPLE IN EVERYONE'S COMMON**  
10 **EXPERIENCE THAT COULD HELP EXPLAIN THIS CONCEPT?**

11 A. Yes. In my rebuttal testimony I explained that the price concert-goers pay for  
12 tickets provides a good analogy to the situation presented in the case of expedites.  
13 Concert-goers pay a premium for seats that are up front and closer to the stage  
14 than they do for seats that are in the back and farther away from the stage. And  
15 while it does not cost any more to produce a show for the people in the front row  
16 than it does to produce a show for the people in the last row, it is not unusual for  
17 the people in the front row to pay a ticket price that is two or three times higher  
18 than the price for back-row tickets. The reason some concert-goers are willing to  
19 pay the higher price is because they perceive enough value in being close to the  
20 stage to make it worth paying the premium fee. Other concert-goers are willing  
21 to sit farther away to pay a lower price. The same is true of expedite charges;  
22 some customers, including CLECs, are willing to pay a premium in order to  
23 receive what they perceive to be the superior service of shortening their  
24 installation interval and moving to the head of the line. Other CLECs are  
25 satisfied to accept the standard installation interval and forego paying the

1 additional fee. Each CLEC makes the choice to pay the fee or not on the basis of  
2 the perceived value to their business to expedite orders. This is no different than  
3 the decision process that Qwest's retail and other wholesale customers go through  
4 when they determine whether or not to pay the \$200 per day fee to expedite their  
5 installation orders.

6

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

8 A. Yes, it does.