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IN THE MATTER OF THE APPLICATION
OF U S WEST COMMUNICATIONS, INC.,
A COLORADO CORPORATION, FOR A
HEARING TO DETERMINE THE EARNINGS
OF THE COMPANY, THE FAIR VALUE OF
THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN THEREON
AND TO APPROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH RETURN.

DOCKET NO. T-01051B-99-0105
**QWEST CORPORATION'S NOTICE
OF FILING TESTIMONY
SUMMARIES**

Pursuant to the Procedural Order issued in this proceeding
on October 16, 2000, Qwest Corporation ("Qwest"), formerly
U S WEST Communications, Inc., hereby submits testimony summaries
of the following witnesses:

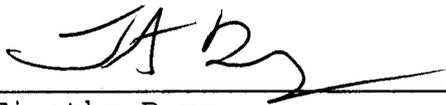
- 1. Scott A. McIntyre, Director - Product and Market Issues,
Qwest Corporation
- 2. David L. Teitzel, Director-Product and Market Issues,
Qwest Corporation.

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RESPECTFULLY SUBMITTED this 29th day of November, 2000.

FENNEMORE CRAIG, P.C.

By 
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ORIGINAL AND TEN of the foregoing
filed this 29th day of
November, 2000, with:

Docket Control
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COPY of the foregoing hand-delivered
this 29th day of November, 2000, to:

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Director, Utilities Division
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Chief Administrative Law Judge
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**Summary of Testimony
of Scott A. McIntyre
on behalf of
Qwest Corporation**

My testimony supports the Settlement Agreement between the Commission Staff and Qwest as it relates to the rate levels agreed upon for switched access services. The switched access rates proposed in the Settlement Agreement represent a 21% reduction over the three-year term of the plan. This totals \$30M in aggregate, over the life of the plan and is a significant reduction in switched access revenues. The reductions to the Interconnection Charge (IC) and Carrier Common Line charge (CCL) that will occur over the term of this plan represent a shift of the revenue currently paid by interexchange carriers, to other services.

The interstate and intrastate rate structures are not the same. The interstate structure contains an End User Common Line charge (EUCL) that generates significant revenue. In the interstate environment, this rate element is paid by the end user, not the carrier. The rate for this element has been increased over time as the FCC has chosen to shift significant revenue requirements from the carriers to the end users. Increases in the EUCL have resulted in major reductions in switching and transport charges paid by carriers. Carriers certainly would like to see similar rates for switching and transport in the intrastate world. This is understandable because it would reduce their costs of providing toll service, but it ignores the revenue generated by the EUCL. Carriers point to similar costs as the driving force between similar pricing in the intrastate and interstate worlds. This allows them to ignore the public policy issues of shifting the revenue requirement from carriers to basic exchange ratepayers. While AT&T demands prices be set the same as FCC rates, they do not follow this policy

themselves. AT&T has just been authorized by this Commission to set some rates not only higher than FCC rates, but even higher than Qwest charges for these same access rate elements.

The Settlement agreement balances the reduction in switched access rates with potential increases for other services. It does this in a context that makes reasonable adjustments to a variety of services. Further decreases to switched access would create a revenue gap that would have to be made up by other services. Shifting this revenue requirement to services in Basket 1 would create the need to raise rates for basic exchange services either directly or through some additional rate element. Shifting the revenue requirement to Basket 3 would create more risk than is reasonable. There is a real chance that the revenue assigned to Basket 3 is unattainable at the Settlement level so assigning even more revenue to this basket cannot be justified.

It is certainly true that switched access is a source of revenue that helps keep basic exchange rates down. The Settlement Agreement reduces the amount of this revenue support, but does not eliminate it. The proposed three-year plan, reduces switched access and balances these reductions reasonably. It certainly does not go as far as the FCC has gone in shifting revenue generation toward end users, but the FCC does not have to address the public policy concerns of the State of Arizona. Reductions in Arizona, beyond those specified in the Settlement Agreement are unwarranted at this time. It would simply shift more revenue burden to basic exchange ratepayers than is reasonable. In balance, the proposed plan seems to be the best compromise of the various parties and is therefore in the overall public interest.

**Summary of Testimony
of David L. Teitzel
on behalf of
Qwest Corporation
Docket No. T-1051B-99-0105**

On January 8, 1999, U S WEST (now know as Qwest Corporation) proposed a rate design, consisting of increases to residential local exchange and other recurring rates and decreases to prices for other services, such as Toll and Switched Access services, supporting an increase in net annual revenues of \$70.9 million. This proposal included a request to designate wire centers in the greater Phoenix and Tucson areas as "competitive zones"¹ within which all Qwest local exchange and Switched Access services would be flexibly priced. Additionally, Qwest proposed increases to Zone Increment charges for retail local exchange services outside the Base Rate Area to align prices for retail loop-based services with deaveraged wholesale Unbundled Network Element (UNE) loop prices.

The Settlement Agreement represents a reasonable compromise between Qwest and the Arizona Corporation Commission Staff (Staff), balancing public interest concerns of Staff with Qwest's revenue requirement needs. Under terms of the settlement, Qwest services are designated as falling into one of three "baskets." Basket One contains services classified as "basic non-competitive", such as residential and business local exchange services, and prices for many Basket One services are capped at current rate levels for the three year term of the plan. Basket Two services consist of Wholesale services, such as Switched Access and Public Access Line services, and are addressed in the testimony of Mr. Scott McIntyre. Basket Three services contain retail services previously classified by the Commission as competitive and/or are currently flexibly priced, and may be priced between the applicable price floor and increased to generate no more than an additional \$25.3 million.

¹ Competitive Zone pricing flexibility was intended to enable Qwest to price competitively in wire centers in which competition now exists, thereby supporting Qwest's ability to win/retain customers and generate revenues to satisfy a portion of the identified revenue requirement.

Under terms of the Agreement, Qwest has the ability to create packages of Basket Three services and also to design packages combining Basket One and Basket Three services. However, Qwest is required to continue to comply with applicable Arizona imputation and price floor rules. For any "essential" services included in the package, Qwest is required to impute the price of the wholesale elements of those services. The package price must also fully recover the TSLRIC of any "non-essential" elements included in the package. If intraLATA Toll services are included in a package, Qwest must demonstrate that the intraLATA Toll component exceeds the properly calculated imputation price floor. Qwest commits to continue to comply fully with all Commission rules governing pricing of retail services.

It is important to note that the Settlement Agreement represents a compromise between the parties on the critical issues in this Docket. Qwest has agreed to forego local exchange rate increases in Basket 1 services and has also agreed to cap these rates for the term of the plan. Qwest has also agreed to forego the "competitive zone" pricing flexibility sought in its original filing, which would have enabled Qwest to flexibly price virtually all services in the greater Phoenix and Tucson wire centers. Finally, in view of the fact that the final wholesale UNE deaveraging order has not been issued, Qwest has agreed to forego its proposal in this Docket to align retail local exchange rates with deaveraged UNE loop prices.

The Settlement Agreement is a reasonable proposal, provides a strong measure of protection for consumers against rate increases for "non-competitive" services and enables Qwest to generate sufficient revenues to recover a portion of its identified revenue requirement. I strongly urge the Commission to approve the Settlement as filed.

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