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BEFORE THE ARIZONA CORPORATION

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JEFF HATCH-MILLER

Chairman

WILILAM A. MUNDELL

Commissioner

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Commissioner

MIKE GLEASON

Commissioner

KRISTIN K. MAYES

Commissioner

2005 OCT 31 P 4: 56

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF QWEST CORPORATION'S
FILING OF RENEWED PRICE REGULATION
PLAN

Docket No. T-01051B-03-0454

IN THE MATTER OF THE INVESTIGATION OF
THE COST OF TELECOMMUNICATIONS
ACCESS

Docket No. T-00000D-00-0672

**NOTICE OF FILING TESTIMONY
SUMMARIES**

The Arizona Corporation Commission Staff ("Staff") hereby files the Summaries of Testimony in Support of the Settlement Agreement filed by Elijah Abinah, Matthew Rowell and Del Smith on behalf of the Utilities Division Staff. Staff will file Summaries of the Testimony in support of the Settlement Agreement filed by Mike Brosch, Steve Carver and Bill Dunkel tomorrow. Msrs. Brosch, Carver and Dunkel are scheduled to appear as witnesses on Wednesday, November 2, 2005.

RESPECTFULLY submitted this 31st day of October, 2005.

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Original and 15 copies of the
foregoing filed this 31st day
of October, 2005 with:

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**SUMMARY OF TESTIMONY BY ELIJAH ABINAH
QWEST CORPORATION
DOCKET NOS. T-01051B-03-0454 & T-00000D-00-0672**

My supplemental testimony contains an overall summary of the provisions of the Settlement Agreement that was reached in this proceeding between Staff and all other active parties, with the exception of RUCO. Mr. Rowell addresses the provisions of the Settlement Agreement which pertain directly to the Price Cap Plan's design and operation. Mr. Smith will be covering the Settlement Sections that pertain to the Telephone Assistance Plan for the Medically Needy, Service Quality and Line Extension Credit. Staff's consultants' testimony covers the Settlement Sections that involve the technical areas of revenue deficiency, accounting, depreciation lives and related areas.

The negotiations between the parties in this proceeding were open and all-inclusive. All intervenors received notice of the negotiations and were invited to participate in the ongoing discussions between the parties. The Settlement Agreement that was reached and docketed by the Parties on August 23, 2005 has widespread support from the active participants to this docket with the exception of RUCO, and resolves all disputed issues in this Docket. It also results in the dismissal of two appeals by Qwest of the prior Plan which are pending before the Arizona Court of Appeals.

Staff believes that this Agreement is in the public interest because it reflects a careful balancing of the various interests represented in this Proceeding. It contains many benefits for consumers, including a continuation of the hard cap on existing residential and business local exchange rates for another 3 years. Other consumers' benefits include the reduction to zone charges, a reduction to Non-Listed and Non-Published Number rates and an increase in funding for the Medically Needy Program established by the Commission many years ago. It also will benefit consumers through its provisions relating to the continuation of existing rates and the one call allowance for Directory Assistance and an increase to the Company's pro rata contribution to construction expenses. The Agreement also affords Qwest more pricing flexibility for its more competitive services which should allow the Company to more effectively respond to competition. Overall, Staff believes that the Agreement is in the public interest and recommends its approval by the Commission.

My rebuttal testimony responds to RUCO Witness Marylee Diaz Cortez's testimony on the treatment of the April 1, 2005 Productivity Adjustment. I disagree with Ms. Diaz Cortez's statement that ratepayers do not receive the full benefit of this reduction under the terms of the Proposed Settlement Agreement. The Settlement Agreement provides for an immediate reduction in Qwest's revenue requirement for Year 1 of \$12 Million which is to be allocated to Basket 2. This amount represents the value of the April 1, 2005 Productivity Adjustment. The allocation was made to Basket 2 under the Settlement Agreement, because it contains some services that are in Basket 1 under the current Plan. While Ms. Diaz Cortez believes that basic rates should be reduced by the amount of the Adjustment, instead of the treatment proposed in the Settlement Agreement. Staff believes that RUCO's credit proposal however, may lead to customer confusion. In addition, this would have been an unlikely outcome even if Qwest had

SUMMARY OF TESTIMONY BY ELIJAH ABINAH
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gone ahead and made the adjustment when required. Under the existing Plan, Qwest has discretion to apply the adjustment to any Basket 1 services it desires.

Staff and the parties to the Settlement Agreement worked very hard to reach an outcome that was beneficial to consumers and was fair, just and reasonable. Staff believes that the proposed Settlement Agreement and Revised Plan is in the public interest and should be approved by the Commission.

**SUMMARY OF TESTIMONY BY MATTHEW ROWELL
QWEST CORPORATION
DOCKET NOS. T-01051B-03-0454 & T-00000D-00-0672**

Mr. Rowell's supplemental testimony describes the following section of the proposed Settlement Agreement filed on August 24, 2005:

- Section 7: April 1, 2005 Productively Adjustment
- Section 12: Price Cap Plan
- Section 17: Term of Plan
- Section 20: Imputation and Price Floor Proceeding
- Section 21: Deregulation of Voice Mail Services and Billing and Collection Services
- Section 22: Promotional Offerings
- Section 23: Packaged Offerings

Mr. Rowell's Rebuttal Testimony responds to the Supplemental Testimony of Dr. Ben Johnson, witness for RUCO.

Staff recommends that the Commission discount Dr. Johnson's recommendation in its deliberations on this matter, for the reasons given in my testimony.

**SUMMARY OF TESTIMONY BY DEL SMITH
QWEST CORPORATION
DOCKET NOS. T-01051B-03-0454 & T-00000D-00-0672**

My Supplemental Testimony in support of the proposed Settlement Agreement is organized into three sections. The first section addresses service quality and the customer benefits from revisions to Qwest's Service Quality Plan Tariff. Section two discusses benefits that will result from an increase in funding to the Telephone Assurance Plan for the Medically Needy. In the third section I address consumer benefits that will be derived from an increase in the share of rural construction charges that the Company is responsible for.

The result of the changes to Qwest's Service Quality Plan Tariff that Staff proposed in this case, and which were adopted in the Settlement Agreement, provide an important continuing incentive to Qwest to maintain the service quality levels it has achieved which provides a direct benefit to customers.

The funding level for the Telephone Assistance Plan for the Medical Needy has not been increased since the inception of the program in 1991. New enrollments in the program have had to be restricted due to the level of current funding. The Settlement Agreement provides for an increase in funding of \$1 million annually so that that additional qualified applicants may be assisted and participate in the program.

The cost to extend new facilities may preclude a rural customer from being able to have basic phone service established. Consistent with Staff's testimony in this matter, the Settlement Agreement provides for an increase in Qwest's pro rata share of Rural Construction Charges from \$3,000 to \$5,000 to further promote telephone subscribership and public safety.