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| IN THE MATTER OF THE GENERIC INVESTIGATION INTO U S WEST COMMUNICATIONS, INC.'S COMPLIANCE WITH CERTAIN WHOLESALE PRICING REQUIREMENTS FOR UNBUNDLED NETWORK ELEMENTS AND RESALE DISCOUNTS. | DOCKET NO. T-00000A-00-0194<br><br>**NOTICE OF FILING SUMMARY OF TESTIMONY OF TERESA MILLION** |

Qwest Corporation ("Qwest") hereby provides Notice of filing the Summary of Testimony of Teresa Million.

DATED this 12th day of July, 2001.

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**CERTIFICATE OF SERVICE**

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BY: Karen McElroy

## SUMMARY OF TESTIMONY OF TERESA K. MILLION

### Purpose of Testimony

The purpose of my testimony is to present Qwest's Arizona recurring and nonrecurring incremental cost data for unbundled network elements and interconnection services. These data are utilized as a basis for the pricing recommendations contained in the testimony of Ms. Barbara Brohl and Mr. Robert Kennedy.

The Qwest Integrated Cost Model (ICM) is an integrated cost model that calculates the *recurring* Total Element Long Run Incremental Cost (TELRIC) for the major unbundled network elements (UNEs) and interconnection services. These elements include the unbundled loop, switching and transport, as well as data base services and signaling. Additionally, I describe Qwest's proposal for UNE deaveraging and addresses several important cost methodology issues.

Qwest's Enhanced Nonrecurring Cost Model (ENRC) calculates the *nonrecurring* TELRIC for all UNEs and interconnection services.

Finally, my testimony presents a number of stand-alone TELRIC studies, including the UNE Remand studies, Channel Regeneration, CLEC to CLEC Connections, other ancillary services, the Customer Transfer Charge and Line Sharing. The Qwest Collocation Model is an integrated model that calculates the nonrecurring and recurring TELRIC for collocation services.

The ICM cost results, the ENRC results, as well as the results of numerous additional TELRIC studies, as summarized in Exhibit TKM-01, should be used by the Commission to set recurring prices for UNEs and interconnection services.

### The TELRIC Principles

Qwest's cost studies and models comply with TELRIC principles in the context of the FCC rules. Qwest's cost models and cost studies produce forward-looking, least-cost long run incremental cost results based on replacement of the entire network, given existing wire center locations.

### The Qwest Integrated Cost Model (ICM)

The ICM is a cost model developed by Qwest that is designed to estimate the recurring TELRIC for UNEs and interconnection services.

The ICM calculates the costs for UNEs using the same basic methodological approach that was used in previous Qwest (US WEST) UNE cost studies filed before this Commission. However, the ICM model itself reflects several significant improvements over previous UNE cost models. For example, the ICM provides input forms for each of the modules, which allow the user to change key input assumptions. The input forms display the default value for each input item, and allow the user to override these values if desired. After all desired changes are made to the inputs, the user can easily rerun the ICM to produce UNE cost results based on the new user assumptions.

The ICM contains recommended default inputs. If the model is run with these inputs, it produces results that properly reflect the TELRIC principles described in my testimony. The ICM model, using the default inputs, provides a reasonable estimate of the recurring TELRIC for UNEs in Arizona. The ICM is provided as Exhibit TKM-02.

**Nonrecurring Cost Studies (ENRC)**

The ENRC provides nonrecurring TELRIC data for all UNEs and interconnection services. The ENRC studies are delineated in Exhibit TKM-03. These cost studies properly reflect the TELRIC principles and are consistent with the requirements of the FCC.

**Other Methodology Issues**

There are three general methodology issues that are relevant to all of the costs produced by the cost models:

- Fill factors
- Cost of Money
- Depreciation

Other methodology issues specific to the unbundled loop will be discussed in detail in the testimony of Mr. Richard Buckley.

**The Qwest TELRIC Studies**

In this docket, Qwest is presenting recurring and nonrecurring costs for UNEs, interconnection services, collocation, line sharing, and ancillary services. My testimony presents recurring TELRIC data produced by the ICM for the following elements:

- Unbundled Loop (including network interface device and extension technology)
- Transport
    - Tandem Switched Transport
    - Direct Trunked Transport
    - Shared Transport
    - Entrance Facilities
    - Multiplexing
    - Unbundled Dedicated Interoffice Transport (UDIT)
    - Extended - UDIT

- Database Services (8XX Database and LIDB)
- Signaling

In addition, my testimony presents cost studies including, but not limited to, the following additional elements:

- UNE-P (nonrecurring)
- Digital-capable Loop (DS1 and DS3)
- Distribution Subloop
- Building Cable
- DS1 Capable Feeder Loop
- Unbundled Dark Fiber
- Digital Lineside Port
- DS1 Primary Rate Interface ISDN Trunk Port
- InterNetwork Calling Name (ICNAM)
- Low Side Channelization
- Category 11 Mechanized Record
- Customer Transfer Charge (nonrecurring)

**Line Sharing**

Line Sharing is defined by the FCC as a UNE. Line Sharing involves the separate provisioning of the high frequency portion of the unbundled loop. Line Sharing costs consist of recurring and nonrecurring costs for collocating the CLEC's splitter equipment in Qwest's central offices, nonrecurring costs for installing the shared line, recurring costs for Operations Support Systems (OSS) and a separate recurring charge for the cost of the loop. The CLEC has several options for collocation that are depicted in the Line Sharing collocation study, Exhibit TKM-04. The Line Sharing OSS study is included as Exhibit TKM-05.

**The Collocation Model**

The Collocation Model provides cost data for caged, cageless and virtual collocation elements. The Collocation Model is included as Exhibit TKM-06 of my testimony. This exhibit contains a schematic diagram that depicts the collocation cost elements.

The Collocation Model calculates the forward-looking recurring and nonrecurring incremental costs for collocation elements. The nonrecurring costs include the cost of installing equipment on the CLEC side of the demarcation point. This equipment is dedicated to CLECs and is not shared with Qwest. Recurring elements include the small ongoing costs associated with maintaining the collocation equipment that is dedicated to CLECs, along with the investment-related costs of equipment that is shared between CLECs and Qwest.

The treatment of recurring and nonrecurring costs in the collocation model is consistent with the FCC's collocation principles, as outlined in its Second Report and Order in CC Docket No. 93-162. The Collocation Model inputs are based on an analysis of actual collocation jobs in Qwest central offices. The use of actual cost data is consistent with using realistic, achievable conditions to calculate costs on a forward-looking basis.

**Conclusion**

The Commission should set prices for UNEs and interconnection services based on the TELRIC data summarized in Exhibit TKM-01 of my testimony. The Qwest TELRIC studies reflect the proper application of the FCC's TELRIC principles, calculating forward-looking costs based on realistic, achievable inputs. In addition, the Commission should adopt the geographic deaveraging plan proposed by Qwest, which is also consistent with FCC rules.