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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

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

NOTICE OF FILING SUMMARY
TESTIMONY OF D.M. (Marti) GUDE

Qwest Corporation ("Qwest") hereby provides Notice of Filing Summary Testimony of
D.M. (Marti) Gude.

DATED this 16th day of July, 2001.

FENNEMORE CRAIG, P.C.

Arizona Corporation Commission
DOCKETED

JUL 16 2001

DOCKETED BY *nae*

By

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Summary of Testimony of D.M. (Marti) Gude

D.M. (Marti) Gude is employed by Qwest Corporation. In her position of Director – Cost Accounting, she is responsible for various regulatory and management accounting functions. Her responsibilities include preparing and analyzing embedded cost studies and information relating to cost studies that Qwest uses for purposes such as deregulation, cost accounting, regulatory filings, and the development of TELRIC-based cost study factors.

Her testimony first describes adjustments that Qwest has made to its TELRIC-based cost factors that are used in the cost studies that Qwest has presented in this docket. These adjustments to Qwest’s factors recognize the Arizona Commission’s latest authorized rate of return, incorporate the depreciation salvage values that the Commission has established, incorporate the appropriate Arizona sales tax rates, and exclude sales tax where appropriate for the development of the total installation or “TIF” factor.

Her rebuttal testimony then responds to the testimony of Mr. Thomas H. Weiss, Mr. Michael Hydock, and Mr. Roy Lathrop, presented on behalf of AT&T Communications of the Mountain States, Inc., WorldCom, Inc., and XO Arizona, Inc., and the testimony of Dr. Francis R. Collins, presented on behalf of Cox Arizona Telecom, L.L.C., as well as the testimony of Mr. William Dunkel, presented on behalf of the Arizona Commission Staff.

Her testimony responds to various challenges that these witnesses have raised concerning the TELRIC-based cost studies that Qwest presented in its direct case. The issues relating to the cost studies that Ms. Gude addresses in this testimony include a discussion of:

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- The inclusion in Qwest’s studies of costs relating to product management, sales, uncollectible, network operations, planning, research and development, and other general and administrative costs (Weiss);
- The appropriate treatment of potential productivity changes arising from the merger between Qwest and U S West (Weiss and Hydock);
- Proper interpretation of expense trends relating to network-related operations expenses (Hydock);
- Qwest’s use of the TPI Inflation Index (Hydock);
- The development and application of Power and Land and Building cost factors (Lathrop);
- The Cox proposals relating to Commission-prescribed cost of capital and depreciation-related capital costs (Collins);
- Appropriate “overhead” factors (Dunkel);
- “Current to Book” cost application for maintenance factors (Dunkel);

In addition, Ms. Gude’s rebuttal testimony addresses the testimony of Mr. Douglas Denney, presented on behalf of AT&T Communications of the Mountain States, Inc., WorldCom, Inc., and XO Arizona, Inc. She responds to erroneous inputs, factors and/or assumptions employed by Mr. Denney in his run of HAI 5.2a model. The issues that Ms. Gude addresses relating to the HAI model include:

- Improper HAI depreciation parameters and capital costs associated with investments relating to network interface devices, serving area interfaces, and drops;

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- Improper HAI exclusion of product management and sales costs;
- Improper HAI use of cost reduction factors for general support costs;
- Improper HAI use of a cost reduction factor of 50% for plant operations expenses;
and
- Improper HAI use of a corporate overhead factor of 10.4 percent.

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ORIGINAL and 10 copies of the foregoing hand-delivered for filing this 16th day of July, 2001 to:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered and faxed this 16th day of July, 2001, to:

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CERTIFICATE OF SERVICE

A copy of the foregoing has been mailed and/or faxed on this 16th day of July, 2001, to the following:

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