**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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| **In the Matter of the Petition of** | **)** | |
| **Eschelon Telecom of Utah, Inc. for** | **)** | |
| **Arbitration with Qwest Corporation,** | **)** | **DOCKET NO. 07-2263-03** |
| **Pursuant to 47 U.S.C. Section 252 of the** | **)** | |
| **Federal Telecommunications Act of 1996** | **)** | |

**DIRECT TESTIMONY**

**OF**

**TERESA MILLION**

**FOR**

**QWEST CORPORATION**

**Disputed Issues: 4-5, 9-43, 9-44 and 22-90**

**QWEST EXHIBIT 4**

**JUNE 29, 2007**

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## I. IDENTIFICATION OF WITNESS

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Teresa K. Million. I am employed by Qwest Services Corporation, parent company of Qwest Corporation ("Qwest"), as a Staff Director in the Public Policy organization. In this position, I am responsible for directing the preparation of cost studies and representing Qwest's costs in a variety of regulatory proceedings. My business address is 1801 California St., Room 4700, Denver, Colorado.

**Q. PLEASE DESCRIBE YOUR EDUCATION BACKGROUND AND EMPLOYMENT EXPERIENCE.**

A. I received a Juris Doctor from the University of Denver, College of Law in 1994 and am licensed to practice law in Colorado. I also have a Master of Business Administration from Creighton University and a degree in Animal Science from the University of Arizona.

I have more than 23 years experience in the telecommunications industry with an emphasis in tax and regulatory compliance. I began my career with Qwest (formerly Northwestern Bell Telephone Company and then U S WEST, Inc.) in 1983. Between 1983 and 1986, I administered Shared Network Facilities Agreements between Northwestern Bell and AT&T that emanated from the divestiture of the Bell System in 1984. I held a variety of positions within the U S WEST, Inc. tax department over the next ten years, including tax accounting, audit, and state and federal tax research and planning. In 1997, I assumed a position that had responsibility for affiliate transactions compliance, specifically compliance with Section 272 of the Telecommunications Act of 1996 (the "Act"). 47 U.S.C. § 272. In September 1999, I began my current assignment as a cost witness. In this position, I am responsible for managing cost issues, developing cost methods and representing Qwest in proceedings before regulatory commissions.

**Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION BEFORE?**

A. Yes. I filed cost testimony in the Triennial Review Remand Order ("*TRRO*") docket in Utah.

**Q. HAVE YOU TESTIFIED BEFORE OTHER STATE REGULATORY COMMISSIONS?**

A. Yes. I have presented cost testimony in TELRIC cost proceedings before commissions in Arizona, Idaho, Montana, New Mexico, South Dakota and Wyoming. In addition, I have submitted testimony related to section 272 of the Act in Arizona and Nebraska, cost testimony in Arizona related to the Arizona Price Plan proceeding. More recently, I have filed cost testimony in Arizona, Colorado and Minnesota in the *TRRO* dockets, in Arizona and Washington in the McLeod DC Power Complaint, and in Arizona, Colorado, Minnesota, Oregon and Washington in the Eschelon Arbitration dockets.

## II. PURPOSE OF TESTIMONY

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to discuss the cost issues raised with respect to Issue Nos. 4-5, Design Changes; 9-43 and 9-44, Conversions; and 22-90, Unapproved Rates, and explain why these issues are better addressed in a separate proceeding.

**Q. ARE THESE THE ONLY COST ISSUES THAT SHOULD BE RAISED IN A DIFFERENT PROCEEDING?**

A. No. As this Commission is undoubtedly aware, there are a number of elements offered by Qwest to the CLECs that have not yet been addressed in a cost docket in Utah. Qwest is offering those elements at TELRIC rates as required by the FCC; however, to the extent that there is disagreement over those rates, it would be better to address all such cost issues in a separate proceeding. An arbitration, such as this, is a proceeding between two parties, Qwest and Eschelon, that has limited application to the terms and conditions of a single interconnection agreement ("ICA"). It would be presumptuous of Eschelon to believe that its views represent the views of all of the other CLECs doing business in Utah. A separate proceeding, on the other hand, would be open to participation by any and all competitive local exchange carriers ("CLECs") and would apply broadly to all CLECs. The issues that must be addressed in establishing TELRIC rates are complex, involving analysis of cost studies and competing assumptions and inputs for cost studies. These time-consuming analyses are best addressed in proceedings devoted specifically to analyzing costs and setting rates instead of in an interconnection arbitration like this one that involves many issues and must be decided within a fairly expedited period of time. The issues that I address in this testimony provide good examples of the complexity of the cost issues surrounding them. Therefore, Qwest believes that it would be inappropriate for the Commission to set permanent TELRIC rates in a proceeding intended to settle the terms and conditions contained in one CLEC's ICA.

## III. ISSUE 4-5 – DESIGN CHANGES

**Q. ESCHELON BELIEVES THAT QWEST'S PROPOSED RATE FOR DESIGN CHANGES ONLY APPLY TO UNBUNDLED DEDICATED INTEROFFICE TRANSPORT ("UDIT") AND THAT A DIFFERENT RATE SHOULD APPLY FOR DESIGN CHANGES INVOLVING UNBUNDLED LOOPS AND CONNECTING FACILITY ASSIGNMENT ("CFA") CHANGES. PLEASE COMMENT.**

A. The design change study filed by Qwest in Docket No. 00-049-105, upon which the Utah rate for Design Change is based, calculates the average cost of performing a design change for all types of products (*i.e.*, loops and transport) and under all types of circumstances, including CFA changes. The nonrecurring cost study estimates the amount of time, on average, that it will take to perform any given task in the list of activities necessary to complete a design change and the probability that the task will occur. Qwest's nonrecurring cost study did not distinguish between the various circumstances in which a design change might be requested by a CLEC. Furthermore, it is clear from the description of the design change element set forth in the Executive Summary of the Nonrecurring Cost Study (Study ID# 6564 filed as part of Qwest's compliance filing in Docket No. 00-049-105), that the study developed costs for all types of design changes, not just UDIT, and is intended to apply to multiple categories of design changes. Otherwise, the description would not include references to end user premises (UDIT, or transport, runs from one central office to another central office and does not involve end users), optional features and functions, and channel interface types. The notation "type of channel interface" in the design change description specifically contemplates situations involving CFA changes.

Finally, it is important to note that the design change element in Utah is contained within the "Miscellaneous Charges" section of its Exhibit A and not in the section where the rates pertaining specifically to UDIT are contained. There has never been a dispute about the fact that Qwest's miscellaneous charges apply in a variety of circumstances and to a variety of products. Although Qwest has not charged CLECs this rate for certain types of design changes until recently, that does not mean that the costs for those design changes were not included in the cost study and the resulting rate.

**Q. IS IT NECESSARY TO DEVELOP SEPARATE CHARGES FOR THE VARIOUS TYPES OF DESIGN CHANGES, AS ESCHELON PROPOSES?**

A. No. Neither this Commission nor the FCC has required Qwest to provide nonrecurring charges to cover every possible nuance of every possible way that every possible product might be provisioned by Qwest for the CLECs. Nor would it be appropriate to micromanage Qwest's product offerings by requiring Qwest to provide costs and processes to address every possible "flavor" of provisioning activity in an increasingly competitive environment. This is especially true in the case of design change where the activities included in the cost study that are necessary for provisioning do not vary from one product to another, and small variances in process times are not significant enough to justify differentiating the costs by product types and circumstances.

Eschelon has had the benefit of no charge for design changes to unbundled loops and at the same time has taken advantage of the fact that the design change charge as it is applied to UDIT is slightly lower than it would be if the costs were calculated on a stand-alone basis. Now that Qwest has determined to charge the CLECs for all of the design change types included in the calculation of its rate, Eschelon would have this Commission believe that Qwest must accept interim rates for those design changes. As I have pointed out above, Qwest has already developed, and this Commission has reviewed and approved, a design change charge that is an average of the costs for performing a design change for all types of products, under all types of circumstances.

## IV. ISSUES 9-43 and 9-44 - CONVERSIONS

**Q. PLEASE DESCRIBE THE NATURE OF THE CONVERSIONS DISPUTES RELATED TO ISSUES 9-43 AND 9-44.**

A. Eschelon's position is that the conversion of its UNE circuits to private line services pursuant to the requirements of the FCC's *TRRO* should be a price change only and should not require a change in product-specific circuit identification numbers. In Eschelon's view, this "price-only" change does not justify Qwest charging a nonrecurring charge for the conversion. Qwest's position is that circuit ID changes are necessary for converting UNEs to private line services and, further, that it is entitled to recover costs it incurs to facilitate those conversions.

**Q. HAS THE ISSUE RELATED TO THE APPROPRIATE CHARGE FOR CONVERSIONS BEEN SETTLED?**

A. Yes. Pursuant to the Settlement Agreement among the parties in the wire center docket (Docket No. UM 1251) filed with the Commission on Friday, June 22, 2007, the issue of the appropriate charge for UNE to private line conversions has been settled. That Agreement is awaiting Commission review and approval. Assuming approval by the Commission, there will be no further need to address the conversions issue in this arbitration. Rather than burdening the Commission with testimony on an issue upon which the parties have reached agreement, I will defer any substantive discussion of this issue, if any is necessary, until after the Commission rules on the Settlement Agreement.

## V. ISSUE 22-90 – UNAPPROVED RATES

**Q. HOW DO YOU RESPOND TO ESCHELON'S CONTENTION THAT QWEST'S TELRIC RATES ARE RARELY ADOPTED BY A STATE COMMISSION AS PRESENTED IN A COST DOCKET AND THEREFORE THIS COMMISSION SHOULD ADOPT ITS PROPOSALS FOR INTERIM RATES?**

A. First, it is important to understand that in the early cost dockets where Qwest's studies were at issue, many of the state commissions believed that is was their duty to adopt rates that were on the low end of the TELRIC range in order to "jump start" local competition in their states. In fact, those were the exact words used by one Arizona Commissioner in his opening remarks during an Arizona cost docket (Docket No. T-00000A-00-0194) which was conducted during 2001 and 2002. Second, in many proceedings where commissions reduced the rates proposed by Qwest, they did so on the basis of competing models presented in those proceeding by the CLECs, most often AT&T. Third, it is important to remember that these same commissions rarely adopted the CLECs' competing models without making input adjustments aimed at better reflecting appropriate TELRIC costs. Finally, Qwest notes that in recent cost dockets in some of its states, contrary to the inference of Eschelon's statements, commissions have adopted rates that are higher than the rates initially set in earlier cost proceedings in those states; perhaps in recognition that rates no longer need to be held artificially low in order to encourage competition. Here, Eschelon simply proposes interim rates that are substantially reduced from the rates supported by Qwest's cost studies without providing any significant cost analysis of its own.

**Q. HOW DOES QWEST PROPOSE TO ADDRESS INTERIM RATES?**

A. As I discussed in my testimony above, Qwest believes that it is offering those elements with unapproved rates at TELRIC rates as required by the FCC. Many CLECs are purchasing those elements currently out of their own Commission-approved ICAs at rates that are the same as the rates proposed by Qwest in this proceeding. Because of the complexity of cost issues, Qwest believes that it is important to address them in a separate proceeding designed to give adequate emphasis to the analysis of the inputs and assumptions contained in the studies that support those rates. However, it could have a chilling effect on Qwest's introduction of new elements (often at the request of the CLECs) if Qwest was denied cost recovery or was provided only nominal recovery of its costs in the absence of a fully litigated cost proceeding. In fact, a number of the of the unapproved rates at issue in this arbitration are the direct result of Qwest's introduction of new or additional elements since the last cost docket in Utah based on CLEC needs. For example, both Interconnection Distribution Frame ("ICDF") Collocation and DC Power Reduction and Restoration are collocation elements that fall into that category. Therefore, Qwest believes that this Commission should continue to treat its proposed unapproved rates as interim until such time as it is able to conduct a thorough review of Qwest's cost studies. To adopt Eschelon's much lower proposals for interim rates without the benefit of a cost proceeding and risk forcing Qwest to provide these elements at below-cost rates would be unfair to Qwest in the increasingly competitive environment in Utah.

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

A. Yes, it does.