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

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

NOTICE OF FILING REVISED PAGE 13
TO CROSS ANSWER AND SURREBUTTAL TESTIMONY OF DON PRICE

Attached is a revised page 13 to the Cross Answer and Surrebuttal Testimony of Don Price filed on January 12, 2005. The only revision to this page is the addition of the full citation to the case cited in footnote 12. MCI requests that parties substitute the page originally filed with this revised page.

RESPECTFULLY SUBMITTED this 24th day of January, 2005.

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ORIGINAL and fifteen (15) copies
of the foregoing application filed
this 24th day of January, 2005, with:

The Arizona Corporation Commission
Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona  85007

Copy of the foregoing hand-delivered
this 24th day of January, 2005, to:

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circumstances, the FCC and the courts have begun to refer to the historic accounting and separations rules as part of the “old regime.” 12

Q. Please continue you discussion of “traditional top-down ratemaking principles.”

A. Once the regulator had held hearings and made the numerous decisions required to establish the utility’s revenue requirement, a separate phase of the proceeding was undertaken to set rates. This phase was referred to as the rate design phase. Key for our purposes is that the sole objective of this phase of the process was to develop a set of rates that, in total, would yield annual revenues at the level of the revenue requirement the regulator had established. In other words, the sum of the rates times the number of units must equal the revenue requirement. If the level of revenues was greater, the utility could be said to be “over earning,” and if that level was less, the utility would likely seek additional revenue relief in the form of higher rates.

In this latter phase of the proceeding, the utility, other parties, and the regulatory staff typically presented competing proposals as to which rates should be lowered and which should be increased. If the setting of the utility’s revenue requirement was a battle over the size of the pie, the rate design portion of a rate proceeding was a battle over how to divide that pie into component parts, i.e., the various services provided by the utility.

Because it was unusual for the utility to furnish economic (TSLRIC) cost studies demonstrating the cost to furnish basic local service, one may well

12 See, e.g., TX OPUC vs. FCC, 183 F.3d 393, 417 (5th Cir. 1999). “By recommending replacing the historical cost system with a forward-looking “most efficient” cost model, the Joint Board must have considered that the jurisdictional separations rules no longer would apply in the same way.”