Page 24, Line 11, INSERT:

"Having determined that digital circuits are properly calculated by the CLECs in this proceeding, we turn now to the question of determining line counts. The calculation used is total loop investment divided by line count. According to Qwest witness Buckley, regardless of the model selected to estimate loop costs, it would be inappropriate to use loop investment data from one year and line count data from another year. The results of such a mismatch distort actual costs by either underestimating the cost of average lines or overestimating the cost of average lines. Either approach is clearly not in accordance with TELRIC.

According to AT&T witness Denney, Arizona is one of the fastest growing states in the nation, yet the HAI model relies on 1997 customer location data to determine total loop investment and divides that number by year 2000 line count (which is reflective of that growth). The result is that the line count used (year 2000) is higher than the 1997 line count, while the customer location data used (year 1997) to determine total loop investment may be lower than the 2000 customer location data.

We believe that matching customer location information and line count information is generally desirable. Although the CLECs used 1997 data, the record indicates that the CLECs updated the line count information in the HAI model by increasing the number of households by the same percentage that line counts increased. The CLEC witness testified that increasing the number of customer locations in this manner likely over-estimates the amount of additional cable that would be necessary because it does not take into account how many of the additional lines were due to existing customers adding second lines (Tr. 1389-1390). The record also indicates that Qwest itself relied on customer location information from 1996 and 1998 in developing its own model (Tr. 80-83).

Accordingly, based on the record made by Qwest and the CLECs, we find that use of the CLECs' updated 1997 customer location data is reasonable and will adopt it to set permanent rates in this phase of the docket. If Qwest desires to pursue this "matching" issue, it should provide year 2000 (or later) customer location and line count data in Phase III of this proceeding."