TRANSMITTAL NO. 359

QWEST CORPORATION

TARIFF F.C.C. NO. 1

ACCESS SERVICE

DESCRIPTION AND JUSTIFICATION

SPECIALIZED SERVICE OR ARRANGEMENT FOR

RADIO FREQUENCY (RF) VIDEO TRANSPORT SERVICE

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1. Introduction And Description

This filing is being made by Qwest Corporation (Qwest) in its Tariff F.C.C. No. 1, Access Service, Section 12, Specialized Service or Arrangements to provide a bi-directional Radio Frequency (RF) video/data transport service at the request of Microsoft Corporation. This arrangement will provide bi-directional Radio Frequency (RF) Video Transport Service utilizing a coaxial interface with frequencies up to 750 MHz.

The Radio Frequency (RF) Video Transport Service is being provided as a Specialized Arrangement (SA) at this time to meet Microsoft Corporation's specific request for this type of service. If and when Qwest receives other requests for the same service Qwest will pursue a general tariff offering.

2. Rate Development

The rates listed in this Specialized Arrangement are a combination of one existing rate currently contained in Tariff F.C.C. No. 1, Section 7.9.3 and one new rate. The existing rate is the 60 Month Monthly Mileage rate for 1.48 Gbps.

The new Channel Termination Rate was developed using a combination of internal analysis and external competitive factors. In order to properly position this service, the Monthly Recurring costs are designed to recover the Nonrecurring costs.

3. Demand And Revenue Impacts

3.1 Demand Impacts

Qwest expects to add 6 new circuits. There are no cross-elastic or complementary demand impacts expected as a result of this filing.

3.2 Revenue Impacts

As a result of this filing, Qwest expects a total interstate revenue increase of approximately $120,540 for the first twelve months following the effective date of this filing. There are no cross-elastic or complementary revenue impacts expected as a result of this filing.

4. Unit Costs

4.1 Overview

This section describes how Qwest developed regional unit costs in support of this service. This unit cost section describes the process used to develop the recurring unit costs and provides a description of the Cost Workpaper.

The recurring unit costs developed in this study reflect 2008 cost levels. They were developed using an incremental or "bottoms-up" cost methodology. Under this methodology, costs are determined by adding together all of the necessary equipment and/or labor expenses associated with providing the service on a forward looking basis. These costs depict the economic unit cost of offering the service.

4.2 Development Of Recurring Unit Costs

Recurring unit costs are ongoing costs associated with the provisioning of a service. Recurring costs are directly related to the amount of the investment in equipment required to provide a service as well as the amount of labor and administrative time required to install, maintain, repair, monitor and track a service. The installed investment costs include, the price of the equipment, initial engineering labor costs, installation labor costs and miscellaneous minor material costs associated with the equipment installation.

Capital costs are covered through the use of factors which, when applied to investment, produce the annual costs associated with depreciation, earnings and income tax. Depreciation is applied by account code, reflecting the different account lives of the various types of equipment and plant used to provide services. The earnings or "cost of money" factor represents the return that Qwest must pay its investors for the use of their capital. Finally, income tax is the expense associated with taxes that will be incurred on the income earned on the new service.

Cost factors are applied to the unit investments of a service in order to develop annual capital and operating costs. The annual capital costs reflect the annual costs associated with recovery of an investment in equipment needed to provide a service. The factor used, and the amount of the annual capital costs, is based on their estimated economic life of the equipment. Capital costs include items such as depreciation, income tax and "cost of money" (the earnings Qwest must receive in order to pay stockholders a return on their investment in the company). The annual operating costs provide for the recovery of annual administrative, maintenance and other associated costs, caused by the existence and use of a service. The annual capital and operating costs are divided by twelve to produce a monthly cost for the service.

Recurring costs are displayed on Workpaper 1.

4.3 Description Of Cost Workpaper

The recurring unit costs were developed at a regional level. The recurring unit costs are displayed in Workpaper 1. This Workpaper displays the total unit investment, the capital costs and operating expenses, the total annual direct unit cost and the total monthly direct unit cost.

5. Workpaper 1 - Recurring Unit Costs

Jurisdiction: Qwest
Rate Element: RF Video per Chan Term

	RECURRING COST Costs
A. Total Unit Investment	**$66,755.32**
B. Capital Costs	
Depreciation	$5,263.19
Cost Of Money	$3,155.22
Income Tax Expense	$1,411.31
C. Operating Expenses	
Expense	$0.00
Maintenance	$731.34
Other Operating Taxes	$348.66
Administrative	$893.69
D. Total Annual Direct Unit Cost (B + C)	**$11,803.40**
E. Total Monthly Direct Unit Cost (D / 12)	**$983.62**