

8. ADVANCED COMMUNICATIONS NETWORKS

8.3 RATE REGULATIONS (Cont'd)

8.3.4 TERMINATION LIABILITY AND WAIVER POLICY

B. Termination Liability[1]

If a customer chooses to discontinue the entire service or a portion of the service prior to the expiration of the fixed period service, termination charges apply (unless the customer satisfies the conditions specified in the Waiver Policy as set forth in C., following).

The minimum billing level is used to calculate the termination charge. The minimum billing level for Packet Switching, MegaBit Service (i.e., MegaBit Subscriber or MegaCentral) and LSS is 100% of the total monthly rates for the rate elements being discontinued. The minimum billing level for Frame Relay and ATM Cell Relay Service is as follows:

(C)
(C)

1. Minimum Billing Level for Frame Relay

The minimum billing level for Frame Relay is 100% of the monthly rates for the rate elements being discontinued, except for the FRS User-To-Network Information Transfer (UNIT) or Network-To-Network Information Transfer (NNIT). The minimum billing level for the UNIT or NNIT is 100% of the monthly rate for a UNIT or NNIT with one PVC, based on the customer's existing Pricing Plan term and the speed of the associated UNIT or NNIT.

2. Minimum Billing Level for ATM Cell Relay Service

The minimum billing level for ATM Cell Relay Service is 100% of the monthly rates for the rate elements being discontinued, except the Cell Transfer service elements. The minimum billing level for the Cell Transfer service elements is 100% of the Cell Transfer Fixed monthly rate, plus the monthly rate for a PCRS, SCRS or UBRS Incremental Cell Transfer of 64 kbps on a 1.544 Mbps port, based on the customer's existing Pricing Plan term and the speed of the associated Cell Transfer; or the monthly rate for a PCRS, SCRS or UBRS Incremental Cell Transfer of 5 Mbps of bandwidth on a 45 Mbps port, based on the customer's existing Pricing Plan term and the speed of the associated Cell Transfer; or the monthly rate for a PCRS, SCRS or UBRS Cell Rate of 15 Mbps of bandwidth on a 155 Mbps port, based on the customer's existing Pricing Plan term and the speed of the associated Cell Transfer.

[1] Customers with Pricing Plans in service prior to August 12, 1997, will retain a Termination Liability of 15% and the minimum billing level requirement of 80% of the total monthly rates for the service, until the expiration of their existing fixed period.

8. ADVANCED COMMUNICATIONS NETWORKS

8.3 RATE REGULATIONS

8.3.4 TERMINATION LIABILITY AND WAIVER POLICY

B. Termination Liability[1] (Cont'd)

Should the customer choose to discontinue fixed period service prior to completion of the minimum service period, termination charges will apply. The termination charge is 100% of the minimum billing level (as set forth in 1. and 2., preceding), for the remaining months of the minimum service period, plus 15% for Public Packet Switching, or 25% for Frame Relay, or 40% for ATM CRS, MegaBit Service and LSS of the remaining portion of the fixed period service. Should the customer choose to discontinue fixed period service after the completion of the minimum period, termination charges equal to 15% for Public Packet Switching, 25% for Frame Relay, or 40% for ATM CRS and MegaBit Service of the minimum billing level for the remaining portion of the fixed period service will apply. For example, if a Frame Relay customer discontinues a service including the Access Link after completing 17 months of a 36 month term, the termination charge will be the minimum billing level for the service (as set forth in 1. and 2., preceding), multiplied by 25%, multiplied by 19 months. (C)
(C)
(C)

C. Waiver Policy

A waiver of the termination charge as set forth in B., preceding, may occur if the customer moves to a different building within the Company territory or migrates to another Company service or transmission speed (e.g., 56 kbps FRS to 1.544 Mbps FRS, or changes in the Access Link, UNIT or NNIT transmission speeds) provided all of the following conditions are met:

- the customer must agree to a new pricing plan for the new service, except for FRS as set forth following and in 8.3.3.B.2.;
- the customer must satisfy the minimum service period requirement--should the customer choose to discontinue fixed period service prior to completion of the minimum service period, termination charges, as is set forth in B., preceding, will apply;
- the total value of the new service must be equal to or greater than 115% the remaining value of the existing pricing plan service (nonrecurring charges and Special Construction charges will not be used towards the Waiver calculation);

[1] Customers with Pricing Plans in service prior to August 12, 1997, will retain a Termination Liability of 15% and the minimum billing level requirement of 80% of the total monthly rates for the service, until the expiration of their existing fixed period.

8. ADVANCED COMMUNICATIONS NETWORKS

8.3 RATE REGULATIONS

8.3.4 TERMINATION LIABILITY AND WAIVER POLICY

C. Waiver Policy (Cont'd)

- the order to disconnect the existing service and the order for the new service are received by the Company at the same time and both orders must reference the application of the waiver policy;
- the new service due date must be within 30 days of the due date of the disconnection of the old service, unless the installation is delayed due to Company reasons;
- new minimum service period applies to the new service, except as set forth in 8.3.3.B.2., following. (T)
- the customer agrees to pay all outstanding recurring and nonrecurring charges (these charges will not be included in the new service pricing plan); and
- applicable nonrecurring charges apply and are the charges in effect at the time the service is changed, except as set forth in 8.3.3.B.2., following. (T)

D. Nonappropriations Clause

Termination Liability and Waiver Policy does not apply to ACS Pricing Plan services purchased by local, State or Federal government entities (or to customers who have purchased services solely for resale to local, State or Federal government entities) when they are discontinued prior to the completion of the fixed period service only when all of the following conditions are met:

- The service(s) purchased by the local, State or Federal government entity or by customers that have purchased services for resale to local, State or Federal government entities are utilized solely for provision of services for that local, State or Federal government entity,
- Funding for the fixed period service ordered by the authorized local, State or Federal government entity is included in the budget request for each fiscal period appropriation sufficient to cover the authorized local, State or Federal government entity's obligations under the fixed period service for that fiscal period,
- Nonappropriation may not be used as a means of terminating the service to acquire a functionally similar product or service,

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8. ADVANCED COMMUNICATIONS NETWORKS

8.3 RATE REGULATIONS (Cont'd)

8.3.5 SPREAD OF NONRECURRING CHARGES

A. Frame Relay Service, MegaBit Service, ATM Cell Relay Service and LSS

(C)

At the customer's request, nonrecurring charges for FRS, ATM Cell Relay Service and/or LSS provided under the Pricing Plan may be amortized over the term of the fixed period and billed monthly. Nonrecurring charges billed in this manner (i.e., as an annuity), shall be subject to interest charges which the Company will include in each monthly installment.

The Company will calculate the monthly annuity, including principal and interest, using the following Annuity from a Present Amount formula:

$$\text{Monthly Annuity} = (\text{Nonrecurring Charge}) \frac{\frac{i}{12} \left(1 + \frac{i}{12}\right)^n}{\left(1 + \frac{i}{12}\right)^n - 1}$$

In the above formula, the variable "i" is the Company's Pretax Incremental Cost of Capital rate in effect when the monthly annuity amount is calculated. The variable "n" (an exponent) is the term of the fixed period in months.

8. ADVANCED COMMUNICATIONS NETWORKS

8.3 RATE REGULATIONS

8.3.5 SPREAD OF NONRECURRING CHARGES

A. Frame Relay Service, MegaBit Service, ATM Cell Relay Service and LSS (Cont'd)

(C)

If the customer discontinues FRS, ATM Cell Relay Service and/or LSS, changes to a lower speed service, moves or upgrades service, prior to the completion of the fixed period, the total remaining unpaid monthly annuity payments for the recovery of the nonrecurring charge must be paid immediately as a one-time charge. The Company will calculate this one-time charge using the following Present Value of an Annuity formula:

$$\text{One-time Charge} = (\text{Monthly Annuity}) \frac{\left(1 + \frac{i}{12}\right)^n - 1}{\frac{i}{12} \left(1 + \frac{i}{12}\right)^n}$$

In the formula directly above, the variable "i" is the Company's Pretax Incremental Cost of Capital in effect when the one-time charge amount is calculated. The variable "n" (an exponent) is the total number of remaining unpaid monthly annuity payments.

8. ADVANCED COMMUNICATIONS NETWORKS

8.4 RATES AND CHARGES (Cont'd)

8.4.3 MEGABIT SERVICE

A. MegaBit Subscriber Service

1. MegaBit Subscriber Service Charge,
per termination

	USOC	NONRECURRING CHARGE	MONTHLY RATE
a. 256 kbps, bi-directional, dedicated connection			
• Monthly	HRLAM	\$69.00	\$29.95
• 12 Months	HRLA1	69.00	29.95
• 36 Months	HRLA3	69.00	29.95
• 60 Months	HRLA5	69.00	29.95
b. 512 kbps, bi-directional, dedicated connection			
• Monthly	HRLBM	69.00	65.00
• 12 Months	HRLB1	69.00	62.40
• 36 Months	HRLB3	69.00	59.80
• 60 Months	HRLB5	69.00	57.20
c. 768 kbps, bi-directional, dedicated connection			
• Monthly	HRLCM	69.00	80.00
• 12 Months	HRLC1	69.00	76.80
• 36 Months	HRLC3	69.00	73.60
• 60 Months	HRLC5	69.00	70.40

(C)

(N)

(N)

Certain material previously found on this page can now be found on page 8-116.

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8. ADVANCED COMMUNICATIONS NETWORKS

8.4 RATES AND CHARGES

8.4.3 MEGABIT SERVICE

A.1. (Cont'd)

	USOC	NONRECURRING CHARGE	MONTHLY RATE
d. 1 Mbps, bi-directional, dedicated connection			
• Monthly	HRLDM	\$69.00	\$125.00
• 12 Months	HRLD1	69.00	120.00
• 36 Months	HRLD3	69.00	115.00
• 60 Months	HRLD5	69.00	110.00
e. 4 Mbps receive, 1 Mbps send, dedicated connection			
• Monthly	HRLEM	69.00	500.00
• 12 Months	HRLE1	69.00	480.00
• 36 Months	HRLE3	69.00	460.00
• 60 Months	HRLE5	69.00	440.00
f. 7 Mbps receive, 1 Mbps send, dedicated connection			
• Monthly	HRLFM	69.00	875.00
• 12 Months	HRLF1	69.00	840.00
• 36 Months	HRLF3	69.00	805.00
• 60 Months	HRLF5	69.00	770.00

(C)

(N)

(N)

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8. ADVANCED COMMUNICATIONS NETWORKS

8.4 RATES AND CHARGES

8.4.3 MEGABIT SERVICE

A. MegaBit Subscriber Services (Cont'd)

	USOC	NONRECURRING CHARGE	(C) (T) (N)
2. MegaBit Subscriber Change Charge, per order	REAKM	\$30.00	(N) (N)

Certain material previously found on this page can now be found on page 8-118.

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8. ADVANCED COMMUNICATIONS NETWORKS

8.4 RATES AND CHARGES (Cont'd)

B. MegaCentral Access Link

	USOC	NONRECURRING CHARGE	MONTHLY RATE	(T) (M)
• 1.544 Mbps[1]		[1]	[1]	(M)
• 45 Mbps[2]		[2]	[2]	(M)

C. MegaCentral Port (BSE)

	USOC	NONRECURRING CHARGE	MONTHLY RATE	(T) (M)
1. 1.5 Mbps, per Port				(M)
• Monthly	HPRGM	\$500.00	\$910.00	(T)
• 12 Months	HPRG1	500.00	455.00	(M)
• 36 Months	HPRG3	500.00	409.50	(M)
• 60 Months	HPRG5	500.00	364.00	(M)

[1] See 7.5.9 for DS1 Service Channel Termination rates and charges.

[2] See 8.4.4 for ATM CRS Optical Access Link rates and charges or see 7.5.10 for DS3 Service Channel Termination rates and charges.

Certain material found on this page formerly appeared on Page 8-113.

8. ADVANCED COMMUNICATIONS NETWORKS

8.4 RATES AND CHARGES (Cont'd)

C. MegaCentral Port (Cont'd)

2. 45 Mbps, per Port[1]

	USOC	NONRECURRING CHARGE	MONTHLY RATE	
• Monthly	HPRKM	\$500.00	\$1,456.00	(T)
• 12 Months	HPRK1	500.00	728.00	(M)
• 36 Months	HPRK3	500.00	706.00	(M)
• 60 Months	HPRK5	500.00	692.00	(M)

USOC	MONTHLY RATE	
		(M)
		(M)

D. Bandwidth[2]

1. Each 3 Mbps Increment, up to 45 Mbps, per increment

• Monthly	HB1HM	-	478.00	(T)
• 12 Months	HB1H1	-	239.00	(M)
• 36 Months	HB1H3	-	232.00	(M)
• 60 Months	HB1H5	-	227.00	(M)

[1] A minimum of one 3 Mbps Bandwidth increment applies for each 45 Mbps MegaCentral Port. The nonrecurring charge includes the installation of the Bandwidth increment(s) installed at the same time as the MegaCentral Port.

[2] Applicable only to the 45 Mbps MegaCentral Port. A minimum of one increment applies for each 45 Mbps MegaCentral Port.

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8. ADVANCED COMMUNICATIONS NETWORKS

8.4 RATES AND CHARGES (Cont'd)

8.4.3 MEGABIT SERVICE

D. Bandwidth (Cont'd)

	USOC	NONRECURRING CHARGE	(C) (T) (M)
2. MegaCentral Port Change Charge			
• 3 to 45 Mbps port speed bandwidth change, per speed change	REAKN	\$100.00	
	USOC	NONRECURRING CHARGE	MONTHLY RATE
E. Central Office Connecting Channel[1]			(M) (T)
• Per connection	[1]	[1]	(M)

[1] See 7.5.9 or 7.5.10 for COCC rates and charges.

Certain material found on this page formerly appeared on Page 8-115.

TRANSMITTAL NO. 985
U S WEST COMMUNICATIONS, INC.
TARIFF F.C.C. NO. 5
ACCESS SERVICE
DESCRIPTION AND JUSTIFICATION
MEGABIT SUBSCRIBER SERVICE

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1. Introduction And Description

This filing is being made by U S WEST Communications Inc., doing business as U S WEST Communications (USWC) in its Tariff F.C.C. No. 5, Access Service, Section 2, General Regulations, Section 5, Ordering Options For Access Services, and Section 8, Advanced Communications Networks (ACN) to add a new service called MegaBit Subscriber Service. MegaBit Subscriber Service is a Packet Switched type service and is excluded from price caps¹.

1.1 Overview

With this filing USWC is providing a new service called MegaBit Subscriber Service. MegaBit Subscriber Service is part of MegaBit service which utilizes Asynchronous Transfer Mode (ATM) technology over dedicated transport facilities and Asymmetrical Digital Subscriber Line (ADSL) technology over USWC provided metallic local loop facilities to provide customers with high speed data services. MegaBit service is comprised of an existing USWC service called MegaCentral Service and with this filing a new service called MegaBit Subscriber Service.

1.2 Service Description

MegaBit Subscriber Service utilizes customer-provided equipment², located at the customer's premises, and USWC provided equipment at the USWC central office, to

¹CC Docket No. 87-313, Second Report And Order, Released October 4, 1990, Par.195 "Air-ground service and packet-switched service were not subject to scrutiny as part of our investigation of LEC productivity, and should therefore be excluded [from price cap regulation]."

² It is the customer's responsibility for providing and installing all compatible CPE.

allow USWC to accept traffic from the customer and then separate and send bi-directional voice and data transmissions to the designated separate voice and data networks. Each MegaBit Subscriber Service must be connected to a MegaCentral Service. The data connection from the MegaBit Subscriber Service location to the MegaCentral location is a dedicated virtual connection (point-to-point) across a shared backbone network (ATM Cell Relay).

As with the existing MegaCentral Service, the offering of MegaBit Service, which now includes MegaBit Subscriber Service, contemplates the use of existing ADSL and ATM Cell Relay facilities. MegaBit Service is available in specific wire center locations where USWC has established ADSL and ATM Cell Relay technology as specified in the National Exchange Carrier Association Tariff F.C.C. No. 4.

USWC will qualify copper facilities to determine the suitability of such facilities for MegaBit Subscriber service. USWC will not provide MegaBit Subscriber Service on copper facilities that are unsuitable for the service, nor will USWC provide MegaBit Subscriber Service if it determines that such provision will produce interference to other services. MegaBit Subscriber Service will be provided subject to the availability and limitations of USWC wire centers and outside plant facilities.

MegaBit Subscriber Service is comprised of the following rate elements:

MegaBit Subscriber Service, Service Charge

MegaBit Subscriber Service Charge which includes a nonrecurring and a monthly recurring charge uses the ADSL technology, permits simultaneous data and voice service using the customer's local exchange loop. MegaBit Subscriber Service is

provided with the following peak data transmission and reception speeds: 256 Kbps bi-directional, dedicated connection; 512 Kbps bi-directional, dedicated connection; 768 Kbps bi-directional, dedicated connection; 1 Mbps receive, 1 Mbps send, dedicated connection; 4 Mbps receive, 1 Mbps send, dedicated connection; and 7 Mbps receive, 1 Mbps send, dedicated connection. These rate elements are provided as Monthly or with Pricing Plan terms of twelve (12), thirty-six (36) or sixty (60) months.

MegaBit Subscriber Service Change Charge

When a customer requests a different ADSL speed and/or change in their designated MegaCentral location, a MegaBit Subscriber Service Change Charge applies per order.

2. Rate Development

MegaBit Subscriber Service rates were developed utilizing a market based pricing process including proper price positioning with other USWC services. This process involved both primary and secondary research to determine what existing services would be considered cross-elastic, competitive alternatives or substitutes.

USWC developed direct recurring and nonrecurring costs for MegaBit Subscriber Service as presented above and in Section 4 of this document. As shown, internal and external conditions, which impact the new service, were evaluated to determine the price of the service. Factors considered included the pricing of and relationship to existing services offered by USWC (i.e., the prices established for MegaBit

Subscriber Service in USWC's state tariffs and USWC's other family of services including any possible cross-elastic impacts), the competitive alternatives available to the customer, market willingness to pay, and any information on the value of the service to the customer (i.e., financial impact on customer operations). As shown on the Part 69 Expense Ratios Workpaper in Section 5 following, the charges for MegaBit Subscriber Service are above direct cost.

3. Demand And Revenue Impacts

3.1 Demand Impacts

Demand for the new rate elements being proposed in this filing is displayed in the Part 69 Expense Ratio Workpaper following. The demand estimates shown come from customer contacts, existing intrastate services that will be reclassified as interstate and projections of future growth. The demand is for the twelve-month period following the effective date of this filing. There are no cross-elastic demand impacts other than the change of customers from the state jurisdiction to the interstate jurisdiction. There will be complementary demand impacts however. MegaBit Subscriber will stimulate an estimated twelve-month complementary demand increase for:

<u>Element</u>	<u>12 Month Increase</u>	<u>Revenue</u>
MegaCentral Port Charge (1.544 Mbps)	980	\$2,413,355
(45 Mbps)	144	\$ 640,329
ATM Ports (45 Mbps)	231	\$ 559,293

MegaCentral Bandwidth (3 Mbps)	416	\$ 538,228
(6 Mbps)	145	\$ 375,230
(9 Mbps)	13	\$ 48,756
(12 Mbps)	3	\$ 18,252
Access Links Private Line (1.544 Mbps)	980	\$ 969,860
(45 Mbps)	173	\$1,416,945
ATM Optical Access Link (45 Mbps)	202	\$ 801,470

3.2 Revenue Impacts

As a result of this filing, USWC expects a total interstate revenue increase of approximately \$18,419,721 for the first twelve months following the effective date of this filing. Approximately \$1,444,366 will come from intrastate services moving to the interstate jurisdiction. MegaBit Subscriber Service has a complementary impact on the services shown above in Demand Impacts. USWC expects a complementary revenue impact of approximately \$7,781,718 as a result of this filing. The complementary revenue impact is included in the total interstate revenue increase figure shown above. There are no Cross-elastic revenue impacts (other than the shift from intrastate to interstate services) expected as a result of this filing.

4. Unit Costs

4.1 Overview

This section describes how USWC developed regional unit costs in support of the MegaBit Subscriber Service rate elements. This unit cost section describes the process used to develop the recurring (investment) and nonrecurring (labor intensive) unit costs and provides a description of the cost Workpapers.

The unit costs developed in this study reflect 1999 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 new service.

4.2 Development of Recurring Unit Costs

Recurring unit costs are ongoing costs associated with the provision 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 USWC 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 USWC 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.

4.3 Development of Nonrecurring Unit Costs

When a customer requests MegaBit Subscriber Service, a one time cost to provision the service is incurred. The nonrecurring provisioning rate element recovers this cost as well as the associated cost to disconnect the service at some later date.

The first step taken in developing the nonrecurring one time labor cost was to identify the various work groups and tasks required to install and disconnect the service. Next, USWC estimates were used to develop average labor times per task. Once identified, the average labor times were multiplied by the appropriate labor

rates to produce the cost per work group. The sum of all the work group costs produces the total cost.

The labor rates used in this study were developed by applying additional factors to cover administrative expense and business fees that are incurred with the new offering. Administrative expenses include the costs associated with the line and staff operations which support the new service. Business fees include state level franchise taxes, municipal license fees and occupation taxes.

The work groups involved in providing MegaBit Subscriber Service are listed below along with their associated work functions: (1) Outside Contractor - This is a contracted company that performs initial up-front work as well as disseminates literature regarding the product. Their representatives take calls from customers, input customer information into the system and pass information along to appropriate centers as is required to complete an order; (2) Small Business Consulting Center (CCS) and Communications Consulting Center (CCC) - The CCS is responsible for meeting the needs of the small business customer across all fourteen USWC states. This center takes calls from small business customers, inputs customer information into the system and notifies the small business customer when service will be available. The Communications Consulting Center (CCC) is primarily designed as a proactive small business customer contact channel, which provides the customer a single point of contact when working with USWC. Typically, the customers assigned to the CCC are customers with more complex telecom requirements. This center takes calls from complex small business

customers, inputs customer information into the system and notifies the complex small business customer when service will be available. (3) Home Office Consulting Center (HOCC) and Consumer Residential Marketing Group - The HOCC is responsible for meeting the needs of the work at home and home office customers across all fourteen USWC states. This center takes calls from Home Office customers, inputs customer information into the system and notifies the Home Office customer when service will be available. The Consumer Residential Marketing group is responsible for meeting the needs of the residential customers across all fourteen USWC states. This center takes calls from customers, inputs customer information into the system and notifies the customer when service will be available, (4) Service Order Entry Center - Special Services (SOEC-SS) - The SOEC-SS has the responsibility for formatting and issuance of Special Service Orders. They are also responsible for Special Services order completion; (5) Loop Provisioning Center (LPC) - The primary responsibility for the LPC is the establishment and maintenance of the Network Loop Assignments inventories. This includes the assignment of all network loop facilities (outside plant and central office) to service orders relating to the installation, movement, and disconnection of all customer services; (6) Enterprise - Network Operations Center (NOC) Translations - Translations at the NOC consist of remotely entering MegaBit Subscriber Service and MegaCentral Network Elements to change software addressable parameters to allow connectivity. The devices are accessed remotely through devices located at the Serving Wire Center and at the ATM Switch Wire Center; (7) Enterprise - (NOC) Service Activation - Service Activation will be initiated by the Enterprise

Network Services Network Operations Center and worked in conjunction with the Local Network Operations (LNO) group. The LNO is responsible for the placement of the Network Elements at the MegaBit Subscriber Service location. The NOC is responsible for the placement of the equipment at the MegaCentral locations. The Enterprise Network Operations Center tasks associated with Service Activation are: 1. Loop Testing, 2. MegaBit Subscriber Service Loop Installation (LNO working with the NOC technicians), 3. Central Office work at both Serving Wire Center and ATM Wire Center, 4. Fiber Installation past the Fiber Optic Termination at the MegaCentral, 5. Testing at the MegaCentral Location and 6. Service Acceptance at the MegaCentral and MegaBit Subscriber Service locations; and (8) Central Office Frames - The Central Office Frame group is responsible for service connections in the central office and the associated testing and administrative functions of Special Service and Message Trunk circuits.

4.4 Description Of Cost Workpapers

The recurring and nonrecurring unit costs were developed at a regional level. The recurring unit costs are displayed in Workpaper 1. These Workpapers display the total unit investment, the capital costs and operating expenses, the total annual direct unit cost, the total monthly direct unit cost and the total direct unit cost divided by the total unit investment.

The nonrecurring unit costs are displayed in Workpaper 2. These Workpapers provide a detailed summary of the work groups, work times in minutes, hourly labor rates for each work group and the calculated inward and outward costs.

5. Workpapers

Part 69 Expense Ratio

Workpaper 1 - Recurring Unit Costs

Workpaper 2 - Nonrecurring Unit Costs

U S WEST
 TRANSMITTAL
 PART 69 EXPENSE RATIOS
 MegaBit Subscriber Service

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
PART 69 CATEGORY	1997 TOTAL ANNUAL COSTS	TOTAL ANNUAL LRIC	PRICE	MONTHLY DIRECT COSTS	MONTHLY DIR COST TO PRICE RATIO (C/D)	DIR COST TO PRICE RATIO (D/C)	COST TO UNIT INVSMT (D*12/E)
TOTAL INTERSTATE	\$1,307,363,000	\$554,524,434				2.36	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
RATE ELEMENT DESCRIPTION	PROJECTED 12 MONTHS DEMAND	PROPOSED PRICE	MONTHLY DIRECT COSTS	TOTAL UNIT INVESTMT	PRICE TO DIR COST RATIO (C/D)	DIR COST TO PRICE RATIO (D/C)	COST TO UNIT INVSMT (D*12/E)

RECURRING RATES:

MegaBit Subscriber Services
 Mega Subscriber Service Charge, per termination

256 kbps, bi-directional, dedicated connection							
Monthly	27,192	\$29.95	\$17.32	\$803.83	1.73	0.58	0.259
12 Months	45,321	\$29.95	\$17.32	\$803.83	1.73	0.58	0.259
36 Months	9,064	\$29.95	\$17.32	\$803.83	1.73	0.58	0.259
60 Months	9,064	\$29.95	\$17.32	\$803.83	1.73	0.58	0.259
512 kbps, bi-directional, dedicated connection							
Monthly	5,089	\$65.00	\$17.32	\$803.83	3.75	0.27	0.259
12 Months	8,482	\$62.40	\$17.32	\$803.83	3.60	0.28	0.259
36 Months	1,696	\$59.80	\$17.32	\$803.83	3.45	0.29	0.259
60 Months	1,696	\$57.20	\$17.32	\$803.83	3.30	0.30	0.259
768 kbps, bi-directional, dedicated connection							
Monthly	2,201	\$80.00	\$17.32	\$803.83	4.62	0.22	0.259
12 Months	3,669	\$76.80	\$17.32	\$803.83	4.43	0.23	0.259
36 Months	734	\$73.60	\$17.32	\$803.83	4.25	0.24	0.259
60 Months	734	\$70.40	\$17.32	\$803.83	4.06	0.25	0.259

PART 69 EXPENSE RATIOS
 Megabit Subscriber Service

U.S. WEST
 TRANSMITTAL

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
PART 69 CATEGORY	1997 TOTAL ANNUAL COSTS	TOTAL ANNUAL LRIC	PRICE TO DIR COST TO PRICE UNIT INVSMT RATIO (C/D)	MONTHLY DIRECT COSTS	TOTAL UNIT INVESTMT	DIR COST TO PRICE UNIT INVSMT RATIO (D*12/E)	FACTOR (B/C)
TOTAL INTERSTATE	\$1,307,363,000	\$554,524,434					2.36
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
RATE ELEMENT DESCRIPTION	PROJECTED 12 MONTHS DEMAND	PROPOSED PRICE	MONTHLY DIRECT COSTS	TOTAL UNIT INVESTMT	PRICE TO DIR COST TO PRICE UNIT INVSMT RATIO (C/D)	DIR COST TO PRICE UNIT INVSMT RATIO (D*12/E)	FACTOR (B/C)
1 Mbps, bi-directional, dedicated connection							
Monthly	657	\$125.00	\$17.32	\$803.83	7.22	0.14	0.259
12 Months	1,095	\$120.00	\$17.32	\$803.83	6.93	0.14	0.259
36 Months	219	\$115.00	\$17.32	\$803.83	6.64	0.15	0.259
60 Months	219	\$110.00	\$17.32	\$803.83	6.35	0.16	0.259
4 Mbps receive, 1 Mbps send, dedicated connection							
Monthly	112	\$500.00	\$17.32	\$803.83	28.87	0.03	0.259
12 Months	187	\$480.00	\$17.32	\$803.83	27.71	0.04	0.259
36 Months	37	\$460.00	\$17.32	\$803.83	26.56	0.04	0.259
60 Months	37	\$440.00	\$17.32	\$803.83	25.40	0.04	0.259
7 Mbps receive, 1 Mbps send, dedicated connection							
Monthly	53	\$875.00	\$17.32	\$803.83	50.52	0.02	0.259
12 Months	89	\$840.00	\$17.32	\$803.83	48.50	0.02	0.259
36 Months	18	\$805.00	\$17.32	\$803.83	46.48	0.02	0.259
60 Months	18	\$770.00	\$17.32	\$803.83	44.46	0.02	0.259

PART 69 EXPENSE RATIOS
 MegaBit Subscriber Service

U.S. WEST
 TRANSMITTAL

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
PART 69 CATEGORY	1997 TOTAL ANNUAL COSTS	TOTAL ANNUAL LRIC	FACTOR (B/C)				
TOTAL INTERSTATE	\$1,307,363,000	\$554,524,434	2.36				

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
RATE ELEMENT DESCRIPTION	PROJECTED 12 MONTHS DEMAND	PROPOSED PRICE	MONTHLY DIRECT COSTS	TOTAL UNIT INVESTMT	PRICE TO DIR COST TO PRICE UNIT INVSMT RATIO (C/D)	DIR COST TO PRICE UNIT INVSMT RATIO (D/E)	COST TO PRICE UNIT INVSMT RATIO (D*12/E)

NONRECURRING:

256 kbps, bi-directional, dedicated connection Month-to-Month	17,418	\$69.00	\$47.10	N/A	1.46	0.68	N/A
1-Year	29,030	\$69.00	\$47.10	N/A	1.46	0.68	N/A
3-Year	5,806	\$69.00	\$47.10	N/A	1.46	0.68	N/A
5-Year	5,806	\$69.00	\$47.10	N/A	1.46	0.68	N/A
512 kbps, bi-directional, dedicated connection Monthly	4,115	\$69.00	\$47.10	N/A	1.46	0.68	N/A
12 Months	6,859	\$69.00	\$47.10	N/A	1.46	0.68	N/A
36 Months	1,372	\$69.00	\$47.10	N/A	1.46	0.68	N/A
60 Months	1,372	\$69.00	\$47.10	N/A	1.46	0.68	N/A
768 kbps, bi-directional, dedicated connection Monthly	1,780	\$69.00	\$47.10	N/A	1.46	0.68	N/A
12 Months	2,987	\$69.00	\$47.10	N/A	1.46	0.68	N/A
36 Months	593	\$69.00	\$47.10	N/A	1.46	0.68	N/A
60 Months	593	\$69.00	\$47.10	N/A	1.46	0.68	N/A

PART 69 EXPENSE RATIOS
 MegaBit Subscriber Service

U S WEST
 TRANSMITTAL

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
PART 69 CATEGORY	1997 TOTAL ANNUAL COSTS	TOTAL ANNUAL LRIC	MONTHLY DIRECT COSTS	TOTAL UNIT INVESTMT	PRICE TO DIR COST TO PRICE	DIR COST TO PRICE	COST TO UNIT INVSMT
RATE ELEMENT DESCRIPTION	PROJECTED 12 MONTHS DEMAND	PROPOSED PRICE	MONTHLY DIRECT COSTS	TOTAL UNIT INVESTMT	PRICE TO DIR COST TO PRICE	DIR COST TO PRICE	COST TO UNIT INVSMT
TOTAL INTERSTATE		\$1,307,363,000		\$554,524,434		2.36	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1 Mbps, bi-directional, dedicated connection							
Monthly	531	\$69.00	\$47.10	N/A	1.46	0.68	N/A
12 Months	885	\$69.00	\$47.10	N/A	1.46	0.68	N/A
36 Months	177	\$69.00	\$47.10	N/A	1.46	0.68	N/A
60 Months	177	\$69.00	\$47.10	N/A	1.46	0.68	N/A
4 Mbps receive, 1 Mbps send, dedicated connection							
Monthly	91	\$69.00	\$47.10	N/A	1.46	0.68	N/A
12 Months	152	\$69.00	\$47.10	N/A	1.46	0.68	N/A
36 Months	30	\$69.00	\$47.10	N/A	1.46	0.68	N/A
60 Months	30	\$69.00	\$47.10	N/A	1.46	0.68	N/A
7 Mbps receive, 1 Mbps send, dedicated connection							
Monthly	43	\$69.00	\$47.10	N/A	1.46	0.68	N/A
12 Months	72	\$69.00	\$47.10	N/A	1.46	0.68	N/A
36 Months	14	\$69.00	\$47.10	N/A	1.46	0.68	N/A
60 Months	14	\$69.00	\$47.10	N/A	1.46	0.68	N/A
MegaBit Subscriber Change Charge per order	6,481	\$30.00	\$12.34	N/A	2.43	0.41	N/A

Jurisdiction:
Rate Element:

U S WEST
MEGABIT SUBSCRIBER SERVICE CHARGE
PER TERMINATION

RECURRING COST

Costs

A. Total Unit Investment	\$803.83
<u>B. Capital Costs</u>	
Depreciation	\$93.50
Cost Of Money	\$38.94
Income Tax Expense	\$22.22
<u>C. Operating Expenses</u>	
Expense	\$16.32
Maintenance	\$7.07
Ad Valorem	\$26.48
Administrative	\$3.35
Business Fees	
D. Total Annual Direct Unit Cost (B + C)	\$207.89
E. Total Monthly Direct Unit Cost (D / 12)	\$17.32
F. Total Annual Direct Unit Cost / Total Unit Investment (D / A)	0.2586

NONRECURRING COST GROUP SUMMARY (ECONOMIC)

Transmittal No. 985

Section: 5

Workpaper: 2

Page 1 Of 2

Study Name: Megabit

Study Year: 1999

Analyst: Lowman

Product Group: BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS

State: U S WEST

<i>Labor Group</i>	<i>Time In Minutes</i>	<i>Labor Rate Per Hour</i>	<i>Costs</i>
MEGABIT SUBSCRIBER - SERVICE CHARGE, PER TERMINATION			
<i>Inward Costs</i>			
OUTSIDE CONTRACTOR	0.00	\$0.00	\$3.00
CONSUMER RESIDENTIAL MARKETING & HOME OFC CONSULTING CTR	10.81	\$35.59	\$6.15
COMMUNICATIONS CONSULTING CENTER (CCC) & SMALL BUS CONSULTING CTR (SBCC)	0.57	\$37.48	\$0.34
SERVICE ORDER ENTRY CENTER SPECIAL SERVICES (SOEC-SS)	9.10	\$37.48	\$5.45
LOOP PROVISIONING CENTER (LPC)	1.65	\$33.02	\$0.87
ENTERPRISE - NOC (NETWORK OPERATIONS CENTER) (TRANSLATIONS)	3.00	\$40.56	\$1.95
ENTERPRISE - NOC (NETWORK OPERATIONS CENTER) (SERVICE ACTIVATION)	1.00	\$40.56	\$0.65
CENTRAL OFFICE FRAMES	12.00	\$40.56	\$7.78
<i>Subtotal - Inward</i>	38.13		\$26.18
<i>Outward Costs</i>			
OUTSIDE CONTRACTOR	0.00	\$40.56	\$3.00
CONSUMER RESIDENTIAL MARKETING & HOME OFC CONSULTING CTR	9.50	\$35.59	\$5.40
COMMUNICATIONS CONSULTING CENTER (CCC) & SMALL BUS CONSULTING CTR (SBCC)	0.50	\$37.48	\$0.30
SERVICE ORDER ENTRY CENTER SPECIAL SERVICES (SOEC-SS)	10.00	\$37.48	\$5.99
ENTERPRISE - NOC (NETWORK OPERATIONS CENTER) (TRANSLATIONS)	3.00	\$40.56	\$1.95
CENTRAL OFFICE FRAMES	6.60	\$40.56	\$4.28
<i>Subtotal - Outward</i>	29.60		\$20.92
<i>Total Inward & Outward</i>	67.73		\$47.10

NONRECURRING COST GROUP SUMMARY (ECONOMIC)

Transmittal No. 985
 Section: 5
 Workpaper: 2
 Page 2 Of 2

Study Name: Megabit
 Study Year: 1999
 Analyst: Lowman
 Product Group: BUS, Centrex, Pri. Ln., PBX, ISDN, Public, ACS
 State: U S WEST

<i>Labor Group</i>	<i>Time In Minutes</i>	<i>Labor Rate Per Hour</i>	<i>Costs</i>
MEGABIT SUBSCRIBER- CHANGE CHARGE, PER ORDER			
<i>Inward Costs</i>			
OUTSIDE CONTRACTOR	0.00	\$40.56	\$3.00
CONSUMER RESIDENTIAL MARKETING & HOME OFC CONSULTING CTR	4.32	\$35.59	\$2.46
COMMUNICATIONS CONSULTING CENTER (CCC) & SMALL BUS CONSULTING CTR (SBCC)	0.23	\$37.48	\$0.14
SERVICE ORDER ENTRY CENTER SPECIAL SERVICES (SOEC-SS)	9.10	\$37.48	\$5.45
ENTERPRISE - NOC (NETWORK OPERATIONS CENTER) (TRANSLATIONS)	2.00	\$40.56	\$1.30
Subtotal - Inward	15.65		\$12.34
<i>Outward Costs</i>			
Subtotal - Outward	0.00		\$0.00
Total Inward & Outward	15.65		\$12.34