

TRANSMITTAL NO. 190
QWEST CORPORATION
TARIFF F.C.C. NO. 1
ACCESS SERVICE
DESCRIPTION AND JUSTIFICATION
QWEST DSL 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 8, Advanced Communications Networks (ACN) to introduce a new Starter Option Volume Commitment Plan for DSL. The Starter Option Volume Commitment Plan is for the customer who commits to having a minimum of 2,500 active and billable *QWEST DSL* lines by the end of their initial 12 month period.

This filing is being made to accommodate new customers who wish to enroll in a *QWEST DSL* Volume Plan and receive the associated discounts while they attempt to build their customer base.

As part of this filing Qwest also changed tariff language under “Pricing Plan Terms and Conditions” to clarify the specific services receiving the *QWEST DSL* Volume Plan discounts. This clarification is being made to clarify confusing tariff language.

2. Rate Development

Discount percentages for the Starter Option Volume Plan were developed using a combination of internal analysis and external competitive factors. As the following data shows, even with these new discount rates, the service is above cost.

DSL Starter Option	% Discount	New Rate	Cost
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Qwest Choice DSL

0 – 2,499	0%	\$15.00	\$11.80
2,500 – 4,999	2%	\$14.70	\$11.80
5,000 – 9,999	4%	\$14.40	\$11.80
10,000 – 14,999	7%	\$13.95	\$11.80
15,000 – 29,999	12%	\$13.20	\$11.80

Qwest Choice DSL Deluxe

0 – 2,499	0%	\$28.00	\$11.80
2,500 – 4,999	2%	\$27.44	\$11.80
5,000 – 9,999	4%	\$26.88	\$11.80
10,000 – 14,999	7%	\$26.04	\$11.80
15,000 – 29,999	12%	\$24.64	\$11.80

3. Demand And Revenue Impacts

3.1 Demand Impacts

Qwest expects four customers to take advantage of this new option within the next twelve months. There are no cross-elastic or complementary demand impacts expected as a result of this filing.

3.2 Revenue Impacts

Qwest estimates \$1,010,000 will be billed under this new option in the first 12 months. 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 its *Qwest DSL 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 2003 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.

4.3 Description Of Cost Workpapers

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, the total monthly direct unit cost and the total direct unit cost divided by the total unit investment.

5. Workpaper 1 - Recurring Unit Costs

Workpaper 1

Jurisdiction: Qwest
 Rate Element: *DMT Choice DSL, DMT Choice DSL Deluxe, CAP DSL SELECT and CAP Choice DSL Deluxe*

Recurring Unit Costs

Costs

A. Total Unit Investment	\$546.89
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B. Capital Costs

Depreciation	\$60.12
Cost Of Money	\$24.47
Income Tax Expense	\$13.07

C. Operating Expenses

Expense	\$10.46
Maintenance	\$9.23
Ad Valorem	\$3.66
Administrative	\$20.05
Business Fees	\$0.50

D. Total Annual Direct Unit Cost (B + C)	\$141.57
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E. Total Monthly Direct Unit Cost (D / 12)	\$11.80
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