TRANSMITTAL NO. 219

QWEST CORPORATION

TARIFF F.C.C. NO. 1

ACCESS SERVICE

DESCRIPTION AND JUSTIFICATION

SPECIALIZED SERVICE OR ARRANGEMENT FOR

ETHERNET PORTS OVER SONET 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 Ethernet protocol interface for managed optical transport of data signals over Qwest provided Self-Healing Network Service (SHNS) OC48 at the request of Franciscan Health System. The Ethernet Ports over SONET Service is being provided as Specialized Arrangement (SA) at this time due to technical problems associated with the introduction of this service. Qwest's billing system is currently unable to bill this service so the customer will be manually billed. Once this billing problem is resolved, Qwest plans to launch Ethernet Ports over SONET Service as a general tariff offering.

Ethernet Ports over SONET Service will be introduced in Section 7, Private Line Transport Service. It will provide Ethernet protocol interface for managed optical transport of data signals of various speeds over Company provided Synchronous Service Transport (SST) as set forth in Section 7.14 and Self-Healing Network Service (SHNS) as set forth in Section 15. Ethernet Ports over SONET Service will allow for point-to-point transmission on SST and SHNS bandwidths at speeds of 10 Mbps, 100 Mbps or 1 Gbps.

Current plans call for a filing to made in the first quarter of 2005 to make Ethernet Ports over SONET Service a general tariff offering. Until this filing can be made, Franciscan Health System has requested service through this Specialized Service Arrangement.

2. Rate Development

The rates contained in this filing were developed using a combination of internal analysis and external competitive factors and will be the rates Qwest files when this service becomes a general tariff offering. In order to properly position this service, the Monthly Recurring costs are designed to recover a portion of the Nonrecurring costs.

3. Demand And Revenue Impacts

3.1 Demand Impacts

Qwest expects to add 6 new 100 Mbps Ethernet Ports. 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 $28,062 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 and nonrecurring unit costs and provides a description of the Cost Workpapers.

The recurring and nonrecurring unit costs developed in this study reflect 2004 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 Development Of Nonrecurring Unit Costs

When a customer requests the 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, Qwest 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 Qwest MOE Service are listed below along with their associated work functions: (1) Service Center - The Service Center performs activities associated with order negotiation and processing for the end user; (2) Design Service Center – The Design Service Center handles the actual circuit design and dispatches the fiber technician; (3) Central Office – The Central Office 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) Local Resource Administration Center (LRAC) – LRAC builds installation technical daily service order logs, monitors service order progress and logs service order completion; (5) Installation – Installation performs necessary field work on new order and changes to existing service; and (6)

Implementer/Coordinator – Has overall control responsibility for provisioning, maintaining, coordinating and testing of design services.

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. 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.

The nonrecurring unit costs are displayed in Workpapers 2 and 3. 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. Workpaper 1 - Recurring Unit Costs
   Workpaper 2 - Nonrecurring Costs for the Port-First Circuit
   Workpaper 3 – Nonrecurring Costs for Port-Additional Circuit

Workpaper 1

RECURRING UNIT COSTS

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Jurisdiction: QWEST
Rate Element: ETHERNET 10/100 REMOTE PORT ON OC48

	RECURRING COST
	Costs
A. Total Unit Investment	**$9,483.19**
B. Capital Costs	
Depreciation	$1,100.81
Cost Of Money	$401.93
Income Tax Expense	$214.57
C. Operating Expenses	
Maintenance	$99.62
Property Taxes	$62.33
Administrative	$198.82
Business Fees	$7.81
D. Total Annual Direct Unit Cost (B + C)	**$2,085.88**
E. Total Monthly Direct Unit Cost (D / 12)	**$173.82**
F. Total Annual Direct Unit Cost / Total Unit Investment (D /A)	**0.220**

Workpaper 2

NONRECURRING COST GROUP SUMMARY

PORT-FIRST CIRCUIT

Inward Costs			
CARRIER SERVICE CENTER	60.25	$49.45	$49.66
DESIGN	49.25	$51.55	$42.31
CENTRAL OFFICE	44.00	$54.50	$39.96
LOAD RESOURCE ADMINISTRATION CENTER/LRAC	10.00	$48.72	$8.12
INSTALL	74.00	$56.01	$69.08
IMPLEMENTOR	100.00	$54.50	$90.83
Subtotal - Inward	**337.50**		**$299.96**
Outward Costs			
CARRIER SERVICE CENTER	48.40	$49.45	$39.89
DESIGN	2.30	$51.55	$1.98
CENTRAL OFFICE	11.30	$54.50	$10.26
IMPLEMENTOR	15.00	$54.50	$13.62
Subtotal - Outward	**77.00**		**$65.76**
Total Inward & Outward	**414.50**		**$365.72**

Workpaper 3

NONRECURRING COST GROUP SUMMARY

PORT-ADDITIONAL CIRCUIT

Inward Costs			
CARRIER SERVICE CENTER	23.60	$49.45	$19.45
DESIGN	49.25	$51.55	$42.31
CENTRAL OFFICE	44.00	$54.50	$39.96
LOAD RESOURCE ADMINISTRATION CENTER/LRAC	10.00	$48.72	$8.12
INSTALL	74.00	$56.01	$69.08
IMPLEMENTOR	100.00	$54.50	$90.83
Subtotal - Inward	**300.85**		**$269.76**
Outward Costs			
CARRIER SERVICE CENTER/SERVICE DELIVERY COORDINATOR	23.00	$49.45	$18.96
DESIGN	2.30	$51.55	$1.98
CENTRAL OFFICE	11.30	$54.50	$10.26
IMPLEMENTOR	15.00	$54.50	$13.62
Subtotal - Outward	**51.60**		**$44.82**
Total Inward & Outward	**352.45**		**$314.58**