

TRANSMITTAL NO. 239
QWEST CORPORATION
TARIFF F.C.C. NO. 1
ACCESS SERVICE
DESCRIPTION AND JUSTIFICATION
QWEST DSL PREMIER 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 *Qwest DSL Premier Service*. *Qwest DSL Premier Service* will be available with both Standard *QWEST DSL Service* and Stand Alone *Qwest DSL Service*. *Qwest DSL Premier Service* and Stand Alone *DSL Premier Service* will be available for speeds up to 5 Mbps that will vary per customer based on the capability of the customer's line and other users on the network, and therefore a singular speed is not guaranteed.

As part of this filing, Qwest is also introducing a promotion for *Qwest DSL Premier Service*. Under the terms of this promotion, the nonrecurring charge for *Qwest Choice DSL Premier* and Stand Alone *Qwest DSL Premier* will be waived for customers who apply for new service. For customers ordering new *Qwest Choice DSL Premier* or upgrading: from *Qwest Choice DSL* to *Qwest Choice DSL Premier*; from *Qwest DSL 640k* to *Qwest Choice DSL Premier*; or from *Qwest Choice DSL Deluxe* to *Qwest Choice DSL Premier* the monthly recurring rate will be reduced to \$29.99 for the first 2 months the *Qwest Choice DSL Premier* is in service.

The Speed/Destination Channel Change Charge will also be waived when:

- Upgrading from *Qwest Choice DSL* to *Qwest Choice DSL Premier*
- Upgrading from Stand Alone *Qwest DSL* to *Qwest Choice DSL Premier*
- Upgrading from Stand Alone *Qwest DSL* to Stand Alone *Qwest DSL Premier*
- Upgrading from *Qwest DSL 640k* to *Qwest Choice DSL Premier*
- Upgrading from *Qwest Choice DSL Deluxe* to *Qwest Choice DSL Premier*

This promotion is scheduled to run through July 9, 2005.

2. Rate Development

The rates for this new speed was developed using a combination of internal analysis and external competitive factors.

<i>Qwest DSL Premier Service</i>	Rate	Cost
Nonrecurring Charge	\$99.00	\$56.86
Monthly Rate	\$38.00	\$14.29

Stand Alone <i>Qwest DSL Premier Service</i>	Rate	Cost
Nonrecurring Charge	\$99.00	\$56.86
Monthly Rate	\$43.00	\$26.65

3. Demand And Revenue Impacts

3.1 Demand Impacts

As a result of this tariff filing, Qwest expects to add an estimated 62,150 *Qwest DSL Premier Service* customers.

3.2 Revenue Impacts

As a result of this filing, Qwest expects a total interstate revenue increase of approximately \$4,661,000 for the first twelve months following the effective date of the filing.

4. Unit Costs

4.1 Overview

This section describes how Qwest developed regional unit costs in support of its *Qwest DSL Premier 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 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.

For Stand Alone *Qwest DSL Premier* Service an average UNE loop rate was then calculated to represent the loop cost associated with Stand Alone *Qwest DSL* Service. The UNE loop rate is being used as a surrogate for the cost of the local loop as shown on Recurring Cost Workpaper 2. The average UNE loop rate was calculated by weighting each state's zone specific UNE loop rates currently in effect by the number of zone access lines to produce a state average. The resulting state average loop rates were then weighted by the number of access lines in each of the fourteen states where the stand-alone service is to be offered to produce one regional UNE loop rate.

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 DSL Premier Service* are listed below along with their associated work functions (1) Consumer Residential Marketing - The Consumer Residential Marketing group is responsible for meeting the needs of the residential customers across all fourteen Qwest states. This center takes calls from customers, inputs customer information into the system and notifies the customer when service will be available; (2) Home Office Consulting Center - The Home Office Consulting Center primarily deals with the special needs of customers who work out of their homes, or otherwise have small business. It provides the customer a single point of contact when working with Qwest. This center takes calls from Home office and small business customers, inputs customer information into the system and notifies the complex small business customer when service will be available; (3) Global/Communications Consulting Center (CCC) - Global is the large business sales channel. It handles large business customers needing more sophisticated telecommunications services. The Communications Consulting Center is one part of Global that is primarily designed as a proactive small business customer contact channel, which provides the customer a single point of contact when working with

Qwest. 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; (4) Small Business Consulting Center – The Small Business Consulting Center primarily deals with the special needs of small business customers. It provides the customer a single point of contact when working with Qwest. This center takes calls from small business customers, inputs customer information into the system and notifies the complex small business customer when service will be available; (5) Regional Markets Support Center (RMSC) – The RMSC is responsible for the formatting and issuance of Special Services Orders. They are also responsible for Special Services Order completion; (6) Loop Provisioning Center (LPC) - The LPC primary responsibility 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; (7) Enterprise - Network Operations Center (NOC) - Translations at the NOC consist of remotely entering DSL service 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. Service activation will be initiated by the NOC and worked in conjunction with the Local Network Operations (LNO) group. The LNO is responsible for the placement of the Network Elements at the DSL service subscriber location. The NOC is responsible for the placement of the equipment at

the DSL locations. The Enterprise Network Operations Center tasks associated with Service Activation are: 1. Loop Testing; 2. DSL 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 DSL; 5. Testing at the DSL location and 6. Service Acceptance at DSL service locations; (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; (9) Local Resource Administration Center (LRAC) Using Work Force Administrator/Dispatch Out (WFA/DO), builds installation technician daily service order logs, monitors service order progress, logs service order completion in WFA/DO; (10) Installation & Maintenance (I&M Technician) performs necessary fieldwork on new orders, changes to existing service, and repair orders and (11) Digital Subscriber Line Center (DSLCL) is a part of Channel Operations and serves as a specialist desk in all customer DSL matters. DSLCL provides order status, advanced customer help in DSL matters, and performs various administrative tasks dealing with DSL.

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 Workpapers 1 and 2. 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 3. This Workpaper provides 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 - *DSL Premier Service* Recurring Unit Costs

Workpaper 2 - Stand Alone *DSL Premier Service* Unit Costs

Workpaper 3 - Nonrecurring Costs

Jurisdiction: QWEST

Rate Element: Premier Tier DSL

RECURRING COST

Costs

A. Total Unit Investment		\$690.59
<u>B. Capital Costs</u>		
Depreciation		\$71.78
Cost Of Money		\$32.19
Income Tax Expense		\$17.19
<u>C. Operating Expenses</u>		
Expense		\$9.89
Maintenance		\$10.86
Property Taxes		\$4.67
Administrative		\$24.30
Business Fees		\$0.61
D. Total Annual Direct Unit Cost (B + C)		\$171.49
E. Total Monthly Direct Unit Cost (D / 12)		\$14.29

Jurisdiction: Qwest

Rate Element: *Stand Alone Qwest DSL Premier Tier*

Recurring Unit Costs

Costs

A. Total Unit Investment	\$546.89
<u>B. Capital Costs</u>	
Depreciation	\$60.12
Cost Of Money	\$24.47
Income Tax Expense	\$13.07
<u>C. Operating Expenses</u>	
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
E. Total Monthly Direct Unit Cost (D / 12)	\$11.80
Avg State Ordered Imputed Loop/Benchmark Cost	\$14.85
Total Monthly Standalone DSL Unit Cost	\$26.65

NONRECURRING COST GROUP SUMMARY

Study Area: Qwest

<i>Labor Group</i>	<i>Time In Minutes</i>	<i>Labor Rate Per Hour</i>	<i>Costs</i>
DSL PREMIER SERVICE			
<i>Inward Costs</i>			
CONSUMER RESIDENTIAL MARKETING	11.70	\$39.16	\$10.91
HOME OFFICE CONSULTING CENTER (HOCC)	1.46	\$39.16	\$1.36
GLOBAL/COMM. CONSULTING CENTER (CCC)	0.81	\$39.16	\$0.76
SMALL BUSINESS CONSULTING CENTER (SBCC)	0.73	\$39.16	\$0.68
RMSC (Regional Mktng Support Ctr)	3.85	\$39.16	\$3.59
LOOP PROVISIONING CENTER (LPC)	1.69	\$37.78	\$1.52
ENTERPRISE - NOC (NETWORK OPERATIONS CENTER)	3.50	\$43.81	\$3.65
CENTRAL OFFICE FRAMES	9.08	\$43.81	\$9.48
LRAC (Local Resource Admin Center)	0.58	\$37.78	\$0.52
INSTALLATION & MAINT.	2.37	\$42.68	\$2.41
Subtotal – Inward	35.77		\$34.89
<i>Outward Costs</i>			
RESIDENTIAL MARKETING TEAM (RMT)	8.00	\$39.16	\$7.46
HOME OFFICE CONSULTING CENTER (HOCC)	1.00	\$39.16	\$0.93
GLOBAL/COMM. CONSULTING CENTER (CCC)	0.50	\$39.16	\$0.47
SMALL BUSINESS CONSULTING CENTER (SBCC)	0.50	\$39.16	\$0.47
DIGITAL SUBSCRIBER LINE CENTER (DSLCL)	3.85	\$39.16	\$3.59
ENTERPRISE - NOC (NETWORK OPERATIONS CENTER) (TRANSLATIONS)	2.50	\$43.81	\$2.61
CENTRAL OFFICE FRAMES	5.00	\$43.81	\$5.21
INSTALLATION & MAINT.	1.22	\$42.68	\$1.24
Subtotal – Outward	22.56		\$21.98
Total Inward & Outward	58.34		\$56.86