

QWEST CORPORATION

ACCESS SERVICE

TARIFF F.C.C. NO. 1

2005 ANNUAL ACCESS CHARGE TARIFF FILING

DESCRIPTION AND JUSTIFICATION

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. INTRODUCTION AND DESCRIPTION	1
1.1 Overview	1
2. 2005 ANNUAL ACCESS CHARGE FILING	2
2.1 Background and Overview	2
2.2 Exogenous Cost Changes	3
2.2.1 Regulatory Fees.....	3
2.2.2 Excess Deferred Taxes (EDT)	4
2.2.3 Investment Tax Credit.....	5
2.2.4 Telecommunications Relay Services	6
2.3 Form 492.....	7
2.3.1 Exclusions.....	7
3. DEMAND	10
3.1 Common Line.....	10
3.2 Traffic Sensitive	10
3.3 Trunking.....	11
3.4 Interexchange Services	11
3.5 Special Access Services.....	11
3.6 New Services	12
3.7 Interstate Access Universal Service Support Per Line.....	12
4. WAIVERS	14

5.	PRICE CAP INDICES	15
5.1	Overview	15
5.2	CALLS Annual Access TRP Filing Methodologies and Calculations.....	15
5.2.1	Price Cap Index Calculations	15
5.2.1.1	Common Line.....	18
5.2.1.2	PCI Formula for Traffic Sensitive, Trunking, Interexchange, and Special Access	18
5.2.1.3	Targeting of GDP-PI – X to ATS Rate Elements.....	19
5.2.1.4	Common Line Calculations	20
6.	RATE DEVELOPMENT	21
6.1	Overview	21
6.1.1	Common Line Basket.....	22
6.1.2	Traffic Sensitive Basket	22
6.1.2.1	Description of Traffic Sensitive Workpaper Calculations.....	23
6.1.3	Trunking Basket	26
6.1.3.1	Overview	27
6.1.3.2	Description of Trunking Workpaper Calculations	27
6.1.4	Interexchange Services Basket.....	31
6.1.4.1	Overview	31
6.1.4.2	Description of Interexchange Services Workpaper Calculations.....	31
6.1.5	Special Access Basket.....	33
6.1.5.1	Overview	34
6.1.5.2	Description of Special Access Workpaper Calculations	34

7.	2005 ANNUAL ACCESS TARIFF REVIEW PLAN DESCRIPTION	38
7.1	Overview of the Tariff Review Plan (TRP).....	38
7.2	IND-1 References	38
7.3	Supplement to RTE-1	38
8.0	SUMMARY OF RATE CHANGES	39

WORKPAPERS

Workpaper 1	Regulatory Fees Exogenous Adjustment
Workpaper 2	Excess Deferred Tax Exogenous Adjustment
Workpaper 3	Investment Tax Credit Exogenous Adjustment
Workpaper 4	Telecommunications Relay Services Exogenous Adjustment
Workpaper 5	Form 492A – 2003 Form 492A – 2004
Workpaper 6	Excluded Services
Workpaper 7	New Services
Workpaper 8	Transport MOU Calculation
Workpaper 9	IND-1 References
Workpaper 10	USF Per Line Support Calculation for CAP-1 Form (Redacted)
Workpaper TS-1	Traffic Sensitive Basket Detail
Workpaper TS-2	Traffic Sensitive Basket Weighting
Workpaper TS-3	Traffic Sensitive Message Unit Credit
Workpaper TK-1	Trunking Basket Detail
Workpaper TK-2	Trunking Basket Weighting
Workpaper IS-1	Interexchange Service Basket Detail
Workpaper SP-1	Special Access Basket Detail
Workpaper SP-2	Special Access Basket Weighting
Appendix A	Current Rates, Proposed Rates
Tariff Review Plan	
Certification	

Transmittal No. 243

CONFIDENTIAL WORKPAPERS

Workpaper 10

USF Per Line Support Calculation for CAP-1 Form
(Confidential)

1. INTRODUCTION AND DESCRIPTION

1.1 Overview

Qwest Corporation (Qwest) is making this 2005 Annual Access Charge Tariff filing in accordance with the F.C.C.'s Order, DA 05-1039, In the Matter of July 1, 2005 Annual Access Charge Tariff Filings, WCB/Pricing 05-22, released April 08, 2005, and its Tariff Review Plans DA 05-1038, In the Matter of Material to be Filed in Support of 2005 Annual Access Tariff Filings, released April 08, 2005. This submittal also complies with the requirements of the F.C.C.'s Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Access Charge Reform and Price Cap Performance Review for Local Exchange Carriers, Report and Order in CC Docket No. 99-249, Low-Volume Long Distance Users, and Eleventh Report and Order in CC Docket No. 96-45, Federal-State Joint Board on Universal Service, released May 31, 2000, FCC 00-193 (CALLS Order).

This filing, subject to the provisions of the Price Cap rules as specified by 47 C.F.R. §61.43, Annual Price Cap Filings Required, reflects the adjustments to the PCI values pursuant to 47 C.F.R. §61.45.

2. 2005 ANNUAL ACCESS CHARGE FILING

2.1 Background and Overview

Qwest's services, subject to the provisions of the Price Cap rules as specified by 47 C.F.R. § 61.43, Annual Price Cap Filings Required, reflect the adjustments to their Price Cap Index (PCI), Actual Price Index (API), Service Band Index (SBI) values, and Average Traffic Sensitive (ATS) average pursuant to 47 C.F.R. §§ 61.45 through 61.47 and the CALLS Order. The filing incorporates the rates of new services into the indices. Qwest's indices are adjusted for the following items: 6.5 X-factor applicable to the Common Line, Traffic Sensitive and Trunking Baskets, with the exception that once the 0.0055 ATS target is reached, the X-factor is reduced to the GDP-PI for those baskets; X-factor applicable to the Special Access Basket is equal to GDP-PI; 3.0 X-factor applicable to the Interexchange Basket, chain-weighted GDP-PI of 2.4390, GDP-PI - X, and various exogenous adjustments detailed in Section 2.2 below. Qwest prices below the maximum allowed rates in the Common Line, Traffic Sensitive, and Special Access Baskets to account for its 1989-1990 overearnings agreements. As a result, Qwest's ATS for Price Cap products is .00542025.

2.2 Exogenous Cost Changes

The respective PCI for each basket is adjusted by exogenous cost changes detailed in 47 CFR 61.45(d). The exogenous changes included in this filing are: Regulatory Fees, Excess Deferred Taxes (EDT), Investment Tax Credit (ITC), and Telecommunications Relay Services (TRS).

2.2.1 Regulatory Fees

Qwest includes in this filing an exogenous cost change for the 2005 Federal Regulatory Fees. This change is based on the Form 499 Worksheet filed on April 1, 2005, and the fees proposed in the Commission's Notice of Proposed Rulemaking, MD Docket No. 05-59, In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2005, FCC 05-35, released February 15, 2005. The Commission's Notice proposes a factor of 0.00243 for interstate telecommunications service providers.

The regulatory fee exogenous cost change is the difference between the year 2005 fees and the regulatory fees filed for 2004. The allocation to baskets is based on end user "R" values in each basket based on 2004 demand. The regulatory fee exogenous adjustment is also allocated to Excluded Services. The Excluded Services category includes services that received Pricing Flexibility approval.

Workpaper 1 and the Tariff Review Plans, Charts EXG-1, Column B, display the exogenous cost change and allocation to basket.

2.2.2 Excess Deferred Taxes (EDT)

The Tax Reform Act of 1986 reducing the corporate tax rate from 46 percent to 34 percent and the Omnibus Budget Reconciliation Act of 1993 establishing the 35 percent corporate tax rate effective January 1, 1993, resulted in Qwest's deferred tax liability containing an "excess". This "excess" is equal to the difference between deferred taxes as currently recorded and deferred taxes restated at the enacted rate of 35 percent. This "excess" is flowed through to net income using the average rate assumption method as prescribed in the Tax Reform Act of 1986 Section 203(e).

Qwest calculated Excess Deferred Tax (EDT) exogenous amounts by determining the change in forecasted deferred tax amounts from the 2004/2005 tariff year, and the 2005/2006 tariff year. To determine the interstate portion, Qwest applied an interstate factor based on 2004 ARMIS 43-01 data for Total Plant In Service to the difference in the forecasts.

The allocation to baskets is based on "R" values in each basket based on 2004 demand. The EDT adjustment is also allocated to Excluded Services (including services that received Pricing Flexibility approval).

Workpaper 2 and the Tariff Review Plans Charts EXG-1, Column C, display the impact.

2.2.3 Investment Tax Credit

The Tax Reform Act of 1986 generally repealed the credit for property placed in service after 1985 except for certain qualified transitional property. Qwest uses the deferral method to recognize Investment Tax Credit. This means that the credit is deferred in the year it is realized and then amortized (recognized in net income) ratably over the life of the asset that gave rise to the credit. The Internal Revenue Code Section 46(f) requires the deferred method. Eventually, when the assets are fully depreciated, the Investment Tax Credit will be fully amortized, assuming Investment Tax Credit is not reenacted.

Qwest uses historical data from the 2004 base period to calculate the ITC exogenous costs changes. The exogenous cost change is the difference between ITC restated for the 2004/2005 tariff years. Workpaper 3 displays the 2004/2005 tariff year and the 2005/2006 tariff period ITC amounts for the company, the respective interstate amounts, and the 2005/2006 exogenous cost change by basket. Qwest bases its composite state and local tax rate on 2004 actual data. To determine the interstate portion, Qwest applied an interstate factor based on 2004 ARMIS 43-01 data for Total Plant In Service to the difference in the forecasts.

Qwest apportioned the interstate ITC exogenous adjustment to the Price Cap baskets

based on current “R” values. The investment tax credit exogenous adjustment is also allocated to Excluded Services. The Excluded Services category includes services that received Pricing Flexibility approval. The Tariff Review Plans, Charts EXG-1, Column D, also reflect this adjustment.

2.2.4 Telecommunications Relay Services

Qwest developed this year’s exogenous adjustment for Telecommunications Relay Service by comparing the projected 2005 TRS contribution to the 2004 TRS contribution included in the 2004 filing plus a reversal of a year 2003 True up which was also included in the 2004 filing data. The 2005 TRS contribution is based on the Form 499-A filed April 1, 2005, and the most recent contribution factor, 0.00528, contained in the National Exchange Carrier Association (NECA) Annual Submission of TRS Payment and Revenue Requirements, for July 2005 – June 2006, filed with the FCC April 25, 2005 in CC Docket No. 98-67. The difference between the 2004 (adjusted for reversal of the 2003 True up) and 2005 TRS contribution calculations is this year’s exogenous cost change. It is allocated to baskets based on “R” values for end user revenues. The TRS exogenous adjustment is also allocated to Excluded Services. The Excluded Services category includes services that received Pricing Flexibility approval. Workpaper 4 and TRP Charts EXG-1, Column H, display the adjustment and allocations. Qwest will reflect the additional exogenous cost change to its TRS obligation caused by a new TRS Factor, if any, when the FCC issues this.

2.3 Form 492

The Form 492 for calendar years 2003 and 2004 is provided in Workpaper 5. Qwest removed excluded service earnings based on the assumption that these services earned the same rate of return as total interstate services.

2.3.1 Exclusions

The exclusions in the filing are those detailed in CC Docket 87-313, Second Report and Order, released October, 1990: Individual Case Basis (Wideband Digital and Wideband Analog), Special Construction, Packet Switching, Air to Ground, Presubscription and specific Federal Government services. Other new services considered as exclusions include:

Introduced in 1992: Frame Relay

Introduced in 1994: Frame Relay Modifications, On-Line Transfer, 900 Blocking Charge, SMDS, CNM (SMDS & FRS), DIGIPAC Gateway Routing, GETS, Virtual Collocation Elements and Frame Relay Fractional ITR

Introduced in 1995: Frame Relay CIR & NNIT, Switched and Private Line Transport Service (PLTS) Expanded Interconnection (EIC) Reconfiguration Charge, ATM Cell Relay

- Introduced in 1996: Frame Relay Enhancement, High Altitude Electro Magnetic Pulse Protection (HEMP 622), Expanded Interconnection Service for Frame Relay Service, D53 Sharp Plus, GETS Alternate Carrier Routing and Calling Party Number, and Fiber Optic Radio Frequency
- Introduced in 1997: ATM CRS Waiver NRC, ATM CRS New Speed, FRS Promotions, 45 Mbps Frame Relay, CRS Month-to-Month D53 & 0C3, Megabit Service, FRS Priority PVC, Packet Switching Flat Rate Structure, International Toll Blocking for Residence, Frame Relay Service Fault Tolerant FRAL Video
- Introduced in 1998: Mega Central, 128k FRAL, Phased-In Installation, ATM, FAST PIC, ATM Unspecified Bit Rate, LAN Switching Service
- Introduced in 1999: Payphone Specific Digit Charge, LNP End User Surcharge, Add Cities & DSS to SRS, MegaBit Subscriber Service, GETS Enhanced Services, Operational Measurements, ATM 40.7 mpbs, 155 mbps Port, MegaBit Subscriber 256 kbps/session, MegaCentral 155 Optical Access Link/MPB, MTS IntraLATA Interstate Toll (removed from Price Cap regulation)
- Introduced in 2000: FRS 45 mbps EICT, LSS to ATM CRS Connectivity, Megabit IDSL, Modem Aggregation Service, DS1/SRS, FRS, IDSL, MAS Megacentral, FRS 44.736 NNI, Professional Megabit,

Remote Access Service, Colorado Facility Reservation, ATM OC12, and 34 Megabit Volume Plan.

Introduced in 2002: Qwest received Phase I and Phase II pricing flexibility for dedicated transport and special access services other than channel terminations to end users in 31 MSAs. For channel terminations between Qwest's end office and end user premises, Qwest received Phase I and Phase II relief in 20 MSAs. The specific services in the special access basket are: Metallic, Telegraph, Voice Grade, WATS, Audio and Video, DDS, SVDS, DS1, DS3, MBSS, SHNS, SRS, SST, and GEOMAX. The specific services in the trunking basket, which includes entrance facilities, fixed and variable mileage, multiplexers, and access tandem trunk ports, are: DSO, DS1, DS3, OC12, OC24, OC3, OC48, and OC196. (See DA 02-952, Memorandum Opinion and Order, "Qwest's Petition for Pricing Flexibility for Special Access and Dedicated Transport Services," released April 24, 2002.)

Workpaper 6 displays the broad categories of excluded services, where they are found in Qwest's tariff, and lists cites for services, now excluded, that were previously regulated under price caps, as requested by the F.C.C. in Tariff Review Plans, DA 05-1038, In the Matter of Material To be Filed in Support of 2005 Annual Access Tariff Filings, released April 08, 2005.

3. DEMAND

3.1 Common Line

The historical 2004 base year subscriber line demand for the End User Common Line (EUCL) and Presubscribed Interexchange Carrier Charge (PICC) is comprised of information obtained from the CRIS data base. CRIS tracks access lines by primary and non-primary residence, single and multiline business, centrex/centron, and Primary and Basic Rate ISDN. The Special Access Surcharge lines are obtained from an IABS summary. The line counts utilized in the base period are the averages of the counts of lines in service at the end of 2003 and 2004 in each category.

3.2 Traffic Sensitive

The historical 2004 demand base for Traffic Sensitive total MOU and nonrecurring quantities is extracted from the Integrated Access Billing System (IABS) and some manual billing records. IABS tracks access MOU billed to Interexchange Carriers. Access minutes of use for interstate intraLATA traffic are derived by applying factors for non-conversation time per message to the base period conversation demand.

3.3 Trunking

The historical 2004 demand base for recurring and nonrecurring Trunking basket rate elements was extracted from the IABS and the Customer Records Information Systems (CRIS). The demand reflected for Trunking Services is the total yearly demand for each rate element. Demand for Pricing Flexibility products has been removed from base period demand.

3.4 Interexchange Services

The historical 2004 demand base for Interexchange basket rate elements was extracted from the IABS system. The demand reflected for Interexchange Services is the total yearly demand for each rate element.

3.5 Special Access Services

The historical 2004 demand base for recurring and nonrecurring Special Access Basket rate elements was extracted from the IABS and Customer Records Information Systems (CRIS). The demand reflected for Special Access Services is the total yearly demand for each rate element. Demand for Pricing Flexibility products has been removed from base period demand.

3.6 New Services

In accordance with 47 C.F.R. § 61.43, Qwest is including in this filing a list of new products and services introduced in 2004. The new products and services and their demand are included in the new baskets and bands as displayed in Workpaper 7.

3.7 Interstate Access Universal Service Support Per Line

The CALLS Order established an explicit interstate universal service support mechanism that replaces the support provided by the \$650M of annual implicit support that was previously collected through interstate access charges. The interstate access support mechanism would provide support for a portion of the difference between the average CMT revenue per line in any geographically deaveraged UNE zone and a cap of \$7.00 for residential and single-line business lines and a cap of \$9.20 per line for multiline business lines. Because access support cannot exceed \$650M per year, it is targeted to areas with the greatest differential between permitted common line revenue and the benchmarks.

The Universal Service Fund (USF) Administrator calculates access support based on the requirements of the CALLS Order at ¶ 207 and 47 C.F.R. §§ 54.804, 54.805, 54.806, and 54.807.

The results of the Fund Administrator's calculations of Interstate Access Universal Service Support Per Line are attached in Workpaper 10.

Qwest requests confidential treatment for Workpaper 10—CONFIDENTIAL—, which is included with this tariff transmittal. Workpaper 10 has been marked “Confidential – Not for Public Disclosure” because it contains competitively sensitive information. Workpaper 10 qualifies for protection and non-disclosure under Subsection (d) of § 0.457 (“Trade secrets and commercial and financial information...not routinely available for public inspection”). Qwest is also providing a redacted version of Workpaper 10 with this tariff transmittal.

The Interstate Access USF Support per Line per type of line per zone is multiplied by the number of lines in the zone category to determine the amount of USF support for each category. The sum of the support amounts for Qwest is \$45,971,202. The explicit line subsidy of \$0.292588 is calculated by dividing \$45,971,202 by total Qwest access lines.

4. WAIVERS

As required by Tariff Review Plans, In the Matter of Material to be Filed in Support of 2005 Annual Access Tariff Filings, DA 05-1038, released April 08, 2005, Qwest is including applicable Part 69 waivers that result in rate elements different from those specified in Part 69 of the Commission's Rules as follows:

500 Access Service Waiver. This Waiver of Sections 69.4(b) and 69.106 of Part 69 of the Commission's Rules allows the establishment of a new switched access charge rate element to recover the costs associated with 500 access service. Three subelements, two non-recurring and one recurring, comprise the rate element. These elements are included in the Local Switching service category of the Traffic Sensitive basket. The Waiver was granted to Qwest on November 30, 1994.

Line Information Database (LIDB). This Part 69 Waiver of the Commission Rules permits the establishment of a new switched access charge rate element to recover the costs associated with LIDB. Three subelements, two recurring and one non recurring, comprise the rate element. The Waiver was granted to Qwest on December 30, 1991. These elements are included in the Database Access Services category of the Traffic Sensitive Basket.

Special Access Surcharge Waiver. This Section 69.115(c) Waiver of the Commission Rules allows Qwest to set the amount of the Special Access Surcharge at \$25.00 per month per line termination charge. This surcharge was set pursuant to Memorandum Opinion and Order, CC Docket 78-72, released August 22, 1983, ¶ 91. This Waiver

was extended in the 1989 Waiver Order, ¶ 5, released December 2, 1988. This charge is included in the Common Line Basket.

SS7 Signaling Waiver. This Section 69.106(g) Waiver of the Commission Rules allows Qwest to charge a separate SS7 call set up charge in addition to local switching and to charge for transient call set up and database access SS7 signaling network use. These rates were set pursuant to Order, CCB/CPD Docket 99-37, released December 23, 1999. These charges are included in the Traffic Sensitive Basket.

5. PRICE CAP INDICES

5.1 Overview

The following section describes the Price Cap Indices methodology, formulas and components relevant to the CMT, Traffic Sensitive, Trunking, Interexchange and Special Access Baskets as specified by 47 CFR § 61.45 and the CALLS Order.

5.2 CALLS Annual Access TRP Filing Methodologies and Calculations

5.2.1 Price Cap Index Calculations

PCI-1 of the Tariff Review Plan displays the adjustments used in the calculation of the PCI for the Traffic Sensitive, Trunking, Interexchange Services and Special Access baskets. There is no PCI for the CMT (or Common Line) Basket. CMT calculations are

done through the TRP CAP form. The Chain-Weighted Gross Domestic Product Price Index (GDP-PI) (Line 600) used in the Qwest filing is 2.4390. As required by 47 CFR, Section 61.45, the X Factor (Line 610) is equal to the GDP-PI for all baskets except the Interexchange Basket, for which the X Factor is 3.0%. The X Factor for the Trunking and Traffic Sensitive Baskets will equal 2.4390 because Qwest achieved the \$0.0055 ATS target rate in Transmittal No. 88 filed July 27, 2001. The Delta Z values (Line 710) are obtained from the EXG-1, Page 2, Column S. Revenue "R" values (Line 720) are calculated based upon historical 2003 demand, adjusted for restructures, times rates in effect at the last PCI update for that basket. Workpaper 7 lists new services for which 2004 demand is included in the calculation of the "R" values.

Existing PCIs (Line 680) for the Traffic Sensitive, Trunking, Interexchange and Special Access Baskets were obtained from the 2004 Annual Access Tariff Filing filed on June 16, 2004.

Qwest obtains its Delta Z values (Line 710) from the TRP Chart EXG-1, Page 2, Column (S).

Qwest calculated each basket's Revenue "R" value (Line 720) based upon historical 2004 demand times the rates placed into effect at the last PCI change in that basket. Qwest based the Traffic Sensitive, Trunking, Interexchange, and Special Access Baskets' Revenue "R" value on the revised rates included in Transmittal No. 194, the 2004 Annual Access Charge Tariff Filing, and Transmittal No. 202, the Restructure of

Expedite Charges Filing, effective July 31, 2004 and Transmittal No. 235, the National DA Call Comp. Link Rate Change Filing, effective April 1, 2005.

Qwest calculates the Delta Z/R (Line 740) by dividing the Delta Z (Line 710) by the "R" Value (Line 720) for each basket.

The "w" calculation (Line 750) for each basket is calculated by adding the "R" value (Line 720) for the basket and the Delta Z (Line 710) and dividing the result by the "R" value (Line 720). Simplified, this is merely Delta *Z/R* (Line 740) plus 100.

The $w*(GDP-PI - X)$ calculation (Line 760) is equal to zero if TGT-1, row 1100, is not equal to zero for the Traffic Sensitive, and Trunking Basket. The calculation equals "w" (Line 750) times (GDP-PI - X) (Line 620) for the Interexchange and Special Access Baskets.

The Targeted Revenue Differential (Line 950) for the Traffic Sensitive and Trunking Baskets comes from TRP Chart TGT-1, line 1100.

The Proposed PCI calculated for non-exogenous for SBI Upper Limit calculations only (Line 970) is the existing PCI (Line 680) for the Traffic Sensitive, Trunking Baskets and Special Access Baskets. This calculation is not made for the Interexchange Basket which has no SBIs.

The proposed PCI (Line 980) for the Traffic Sensitive and Trunking Baskets was obtained by adjusting the existing PCI (Line 680) by the Delta Z/R (Line 740) and the Targeted Revenue Differential (Line 950 in relation to R(t-1) (Line 720)). The proposed PCI (Line 980) for the Interexchange and Special Access Baskets was obtained by adjusting the existing PCI (Line 680) to account for inflation (GDP-PI), the X-factor, and changes in exogenous costs.

5.2.1.1 Common Line

The PCI has been eliminated for the Common Line Basket. All Common Line calculations are made via the TRP CAP 1 - 5 forms.

5.2.1.2 PCI Formula for Traffic Sensitive, Trunking, Interexchange, and Special Access

The PCI formula and individual components for all four baskets are:

$$PCI_t = PCI_{t-1} [1 + w(\text{GDPPI-X}) + \text{Delta Z/R}]$$

PCI-1 of the Tariff Review Plan displays the calculations.

5.2.1.3 Targeting of GDP-PI – X to ATS Rate Elements

47 C.F.R. § 61.45 requires the downward adjustment attributable to GDP-PI – X applied to CMT, Traffic Sensitive, and Trunking revenues to be targeted to Average Traffic Sensitive (ATS) rates until the target ATS per MOU rate is reached. Qwest achieved the target ATS average rate in Transmittal No. 88 filed July 27, 2001. Therefore, the X factor is equal to GDP-PI and GDP-PI – X equals zero. Consequently, no reduction in ATS rates occurs.

The TRP TGT-1 form provides the input information for the targeting. Lines 100 through 380 of the TGT-1 form detail the ATS revenues at last PCI update. Lines 400 through 480 detail Total, Traffic Sensitive (TS) and Switched Transport (ST) revenues and MOUs; calculates the TS, ST, and total ATS per MOU figures; and calculates the difference between the target ATS per MOU figure and the current ATS per MOU figure. Workpaper 8 details the calculation of the Switched Transport Minutes of Use used on line 430. Line 475 indicates the target was either met, and the Transmittal Number that resulted in meeting the target, or that the target was not met. Line 485 provides direction to the next applicable TGT form. The TGT-2 form is used for companies that did not meet their ATS target in the last annual filing. TGT-3 is applicable for all companies.

Lines 500 through 560 of the TGT-2 form detail the revenues attributable to GDP-PI – X in Common Line, Traffic Sensitive and Trunking Baskets available for targeting to the ATS rate elements.

The TGT-3 form, lines 800 through 1100, details by category and sub-category the total ATS reductions reflected on the RTE-1 pages. These numbers, all zero, are the exogenous amounts entered on the TRP EXG-2 form.

5.2.1.4 Common Line Calculations

The CAP-1 form calculates EUCL Limits, PICC and CCL Rates. Lines 100 through 350 depict demand by type for EUCL, PICCs and MOUs. Lines 400 through 430 depict the SLC/PICC caps imposed by the CALLS Order. The Primary Residential, Lifeline and Single Line Business End User SLC cap is \$6.50. The Non-Primary Residential and BRI-ISDN cap is \$7.00. The MLB, PRI-ISDN and Centrex cap is \$9.20. The Residential, Single Line Business and BRI-ISDN PICCs have been eliminated by the CALLS Order. The Multiline Business PICC cap is \$4.31. Lines 440 through 460 calculate the proposed maximum Common Line Revenue per line by adjusting the current maximum Common Line Revenue per line for exogenous costs to determine the proposed maximum Common Line Revenue Per Line. Lines 470 and 480 show the June 30, 2000 rates for Common Line placed in effect in Transmittal No. 1060, effective April 1, 2000. Lines 500 through 520 calculate the maximum allowable End User Common Line rates based on 47 C.F.R. § 69.152. Lines 600 through 670 calculate the

maximum allowable EUCL revenue; subtract that number from maximum allowable Common Line revenue; and subtract from that the total USAC receipts (Workpaper 10). The remaining amount, in the case of Qwest, is recoverable in PICC rates. No calculations for Minute of Use (MOU) charges are necessary because all allowable revenues are recovered in EUCL and PICC rates.

The TRP, RTEs and CAPs forms display the calculations necessary to arrive at jurisdictional SLC rates. The CAP 1-5 forms in the main TRP provide the calculation to arrive at a company-wide PICC rate.

6. RATE DEVELOPMENT

6.1 Overview

This section describes the development of the rates for the five Price Cap Baskets. A Price Cap model was used to ensure compliance with basket and band requirements as specified in the Commission rules 47 CFR § 61.46, 61.47 and the CALLS Order. The model encompasses the total basket, service band and subindex rate changes for the baskets.

6.1.1 Common Line Basket

EUCL and PICC charges are calculated on a company-wide average basis via the TRP CAP forms that utilize the requirements of 47 C.F.R. §§ 69.152 and 69.153. All EUCL rates will be state specific as depicted on RTE-1J. PICC rates will be the same across the company and recover allowed revenues not recovered in EUCL rates. All of the allowable CMT revenues are recovered in EUCL and PICC rates. Consequently, Qwest's TRP does not calculate a MOU rate.

6.1.2 Traffic Sensitive Basket

The Traffic Sensitive Basket consists of six service bands: 1) Local Switching, 2) Information, 3) Database Service, 4) Billing Name and Address (BNA), 5) Local Switching Trunk Ports, and 6) STP Port Terminations. In addition, within the Database Service band, there is a subindex for 800 Database Vertical Features.

The existing PCI for the Traffic Sensitive Basket for Qwest exchanges is 36.1243. The proposed PCI is 36.1267.

6.1.2.1 Description of Traffic Sensitive Workpaper Calculations

Calculation of New API and SBI - Traffic Sensitive

The TRP Chart IND-1 lists the API for the Traffic Sensitive Basket and SBI for each service band and subindex. The proposed PCI was developed as described in Section 5.2.1.2 preceding. The percentage change in the PCI is the difference between the existing PCI prior to adjustment and the proposed PCI divided by the existing PCI prior to adjustment. The existing PCI prior to adjustment, current basket API index, and the current SBI indexes are inputs from various filings effective on or before June 30, 2005.

Workpaper TS-1 displays the calculations in support of the API and SBI for the Traffic Sensitive Basket. The first three columns contain rate element numbers, descriptions and Universal Service Order Codes (USOC). The rate elements for the Traffic Sensitive Basket have been arranged according to the service bands and subindex.

Column (A) displays the base period quantities for each rate element. The base period quantity for the instant filing is the annual demand for each recurring and nonrecurring rate element based upon historical demand for service between January 1 and December 31, 2004.

Column (B) contains rates that support the PCI change made in Transmittal No. 235, the National DC Call Comp. Link Rate Change filing, effective April 1, 2005.

Column (C) displays the current rates that were also filed in Transmittal No. 235, the National DC Call Comp. Link Rate Change filing, effective April 1, 2005.

Column (D) displays the proposed rates which reflect the application of the PCI adjustment, SBI adjustment and requirements of the CALLS Order, to the current rates and nonrecurring charges.

Column (E) displays the base period revenue amount used to determine the base period revenue for the PCI calculation. The base period revenue was calculated by multiplying the historical demand for the January to December 2004 base period times the revised rate established in Transmittal No. 235, the National DC Call Comp. Link Rate Change filing, effective April 1, 2005 for each rate element (Column A* Column B).

Column (F) displays the current period revenue amount for each rate element. The current period revenue was calculated by multiplying the adjusted history demand from the January to December 2004 base period times the rate established in Transmittal No. 235, the National DC Call Comp. Link Rate Change filing, effective April 1, 2005 for each rate element (Column A * Column C).

Column (G) displays the proposed revenue amount for each rate element. The proposed revenue was calculated by multiplying the historical demand for January to December 2004 times the proposed rate for each rate element (Column A * Column D).

Workpapers TS-2 displays the current and proposed weightings to be used in the API and SBI calculations.

Column (A) displays the current period revenue for the band as a percentage of the total current revenue for the entire basket. The weighting is calculated by dividing the current revenues for each band by the total current revenues for the basket.

Column (B) displays the total basket new weightings. The new weightings are calculated by dividing the average proposed price of the band by the average current price of the band and multiplying the results by the current band weighting in Column (A).

Columns (C) and (D) display the current and proposed service weightings for the SBI. The new weightings in Column (D) are calculated by dividing the average proposed price of the service band by the average current price of the service band and multiplying the results by the current weighting of the service band in Column (C). Columns (E) and (F) display the current and proposed weightings for the subindex. Column (G) displays the proposed to current revenue ratio. The ratio is calculated by dividing the average proposed rate of the band by the average current rate of the band.

The upper band limits, as displayed on TRP Chart IND-1, determine the percentage increase of the new SBI index. The SBI for each service band is the respective SBI_{t-1}

multiplied by the respective band weighting in Column D and F on Workpaper TS-2. The new API is the API_{t-1} multiplied by Column B on Workpaper TS-2. The upper limits were calculated by multiplying the SBI_{t-1} base by the quantity one, plus the change in PCI times 1.05.

Workpaper TS-3 displays the revenues and minutes of exchange service utilized for the calculation of Message Unit Credit rates.

6.1.3 Trunking Basket

The Trunking Basket consists of five service bands: 1) Interconnection, 2) Tandem Switched Transport, 3) Voice Grade Switched, 4) High Cap & Other Switched, and 5) Signaling Interconnection. In addition, within the High Capacity & Other, there are two subindices DS1 and DS3 Service. Density Zones have been introduced for DS1 and DS3 Service but not for any other services in the Trunking Basket.

With the exception of the Tandem Switched Transport and Signaling Interconnection service bands with a limit of plus two percent and Density Zones with a limit of plus fifteen percent, price movement is limited to a plus five percent after adjusting for the change in the PCI.

6.1.3.1 Overview

The existing PCI for the Trunking Basket is 29.9035. The proposed PCI is 29.9035.

6.1.3.2 Description of Trunking Workpaper Calculations

Calculation of New API and SBI - Trunking

The TRP Chart IND-1 lists the API for the Trunking Basket and SBI for each service band and subindex. The percentage change in the PCI is the difference between the existing PCI prior to adjustment and the proposed PCI divided by the existing PCI prior to adjustment. The existing PCI prior to adjustment, current basket API index, and the current SBI indices are inputs from various filings effective on or before June 30, 2005.

Workpaper TK-1 displays the calculation of the API and SBI for the Trunking Basket. The first three columns contain rate element numbers, descriptions and Universal Service Order Code (USOC). The rate elements for the Trunking Basket have been arranged according to the service bands and subindices.

Column (A) displays the base period quantities for each rate element. The base period quantity for the instant filing is the annual demand for each recurring and nonrecurring

rate element based upon historical demand for service between January 1 and December 31, 2004.

Column (B) contains the rates proposed as detailed in Transmittal No. 88, Qwest/Citizens Adjustment Filing, effective August 3, 2001.

Column (C) displays the proposed rates in Transmittal No. 190, SST & SHNS Rate Change, effective April 8, 2004, and are used to determine the rate element weightings.

Column (D) displays the proposed rates which reflect the application of the PCI adjustment, SBI adjustment and any individual rate element adjustments, if applicable, to the current rates and nonrecurring charges.

Column (E) displays the base period revenue amount used to determine the base period revenue for the PCI calculation. The base period revenue was calculated by multiplying the historical demand for the January to December 2004 base period times the rates established in Transmittal No. 88 for each rate element (Column A * Column B). Totals are provided by subindex, service band and basket.

Column (F) displays the current period revenue amount for each rate element. The current period revenue was calculated by multiplying the historical demand from the January to December 2004 base period times the proposed rate from Transmittal No.

190 for each rate element (Column A * Column C). Totals are provided by subindex, service band and basket.

Column (G) displays the proposed revenue amount for each rate element. The proposed revenue was calculated by multiplying the historical demand for January to December 2004 times the proposed rate for each rate element (Column A * Column D). Totals are provided by subindex, service band and basket.

Workpaper TK-2 displays the current and proposed weightings to be used in the API and SBI calculations.

Column (A) displays the current period revenue for the band as a percentage of the total current revenue for the entire basket. The weighting is calculated by dividing the current revenues for each band by the total current revenues for the basket.

Column (B) displays the total basket new weightings. The new weightings are calculated by dividing the average proposed price of the band by the average current price of the band and multiplying the results by the current band weighting in Column (A).

Columns (C) and (D) display the current and proposed service weightings for the SBI. The new weightings in Column (D) are calculated by dividing the average proposed

price of the service band by the average current price of the service band and multiplying the results by the current weighting of the service band in Column (C).

Columns (E) and (F) display the current and proposed weightings for the subindex. Columns (G) and (H) display the current and proposed weightings for the subindex for density zones. Column (I) displays the proposed to current revenue ratio. The ratio is calculated by dividing the average proposed rate of the band by the average current rate of the band.

The upper band limits, as displayed on TRP Chart IND-1, determine the percentage increase of the new SBI index. The SBI for each service band is the respective SBI_{t-1} multiplied by the respective band weighting in Column D, F, and H on Workpaper TK-2. The new API is the API_{t-1} multiplied by Column B on Workpaper TK-2. The upper limits for Voice Grade, High Cap & Other, DS1 and DS3 were calculated by multiplying the SBI_{t-1} base by the quantity one, plus the change in PCI times 1.05. The upper limits for the Density Zones were calculated by multiplying the SBI_{t-1} base by the quantity one, plus the change in PCI times 1.15. The upper limit for Tandem Switched Transport service is calculated by multiplying the SBI_{t-1} base by the quantity one, plus the change in PCI times 1.02. There are no longer any lower limits for categories or subcategories.

6.1.4 Interexchange Services Basket

The Interexchange Services Basket consists of two rate elements. A change to one rate element was necessary to maintain an API greater than the SBI for this basket.

6.1.4.1 Overview

The existing PCI for the Interexchange Services Basket is 77.0218. The proposed PCI is 76.6073.

6.1.4.2 Description of Interexchange Services Workpaper Calculations

Calculation of New API - Interexchange Services

TRP Chart IND-1 lists the API for the Interexchange Basket. The percentage change in the PCI is the difference between the existing PCI prior to adjustment (PCI-1, Line 680) and the proposed PCI (PCI-2, Line 980) divided by the existing PCI prior to adjustment.

Workpaper IS-1 displays the calculation of the API for the Interexchange Basket. The first two columns contain rate element numbers and descriptions.

Column (A) displays the base period quantities for each rate element. The base period quantity for the instant filing is the annual demand for each recurring and nonrecurring rate element based upon historical demand for service between January 1 and December 31, 2004.

Column (B) contains rates established in Transmittal No. 198, 2004 Annual Access Charge Tariff filing, in effect as of July 1, 2004.

Column (C) displays the current rates and is used to determine the rate element weightings.

Column (D) displays the proposed rates which reflect the application of the PCI adjustment, SBI adjustment and any individual rate element adjustments, if applicable, to the current rates and nonrecurring charges.

Column (E) displays the base period revenue amount used to determine the base period revenue for the PCI calculation. The base period revenue was calculated by multiplying the historical demand for the January to December 2004 base period times the rates in Transmittal No. 198 for each rate element (Column A * Column B). Totals are provided for the basket.

Column (F) displays the current period revenue amount for each rate element. The current period revenue was calculated by multiplying the historical demand from the

January to December 2004 base period times the rate established in Transmittal No. 198, in effect as of July 1, 2004, for each rate element (Column A * Column C). Totals are provided for the basket.

Column (G) displays the proposed revenue amount for each rate element. The proposed revenue was calculated by multiplying the historical demand for January to December 2004 times the proposed rate for each rate element (Column A * Column D). Totals are provided for the basket.

6.1.5 Special Access Basket

The Special Access Basket consists of four service bands: 1) Voice Grade/WATS/Metallic/Telegraph, 2) Audio/Video, 3) High Capacity/Digital Data Service (DDS), and 4) Wideband. In addition, within the High Capacity/DDS band, there are two subindices DS1 and DS3 Service. Density Zones have been introduced for DS1 and DS3 Service but have not been introduced for Voice Grade/WATS/Metallic/Telegraph.

The price movement for all service bands and subindices is limited to a plus five percent after adjusting for the change in the PCI. Price movement in Density Zones is limited to a plus fifteen percent after adjusting for the change in PCI.

6.1.5.1 Overview

The existing PCI for the Special Access Basket is 41.8412. The proposed factor is 41.8546.

6.1.5.2 Description of Special Access Workpaper Calculations

Calculation of New API and SBI – Special Access

The TRP Chart IND-1 lists the API for the Special Access Basket and SBI for each service band and subindex. The percentage change in the PCI is the difference between the existing PCI prior to adjustment and the proposed PCI divided by the existing PCI prior to adjustment. The existing PCI prior to adjustment, current basket API index, and the current SBI indexes are inputs from filings effective on or before June 30, 2005.

Workpaper SP-1 displays the calculation of the API and SBI for the Special Access Basket. The first three columns contain rate element numbers, descriptions and Universal Service Order Codes (USOC). The rate elements for the Special Access Basket have been arranged according to the service bands and subindices.

Column (A) displays the base period quantities for each rate element. The base period quantity for the instant filing is the annual demand for each recurring and nonrecurring rate element based upon historical demand for service between January 1 and December 31, 2004.

Column (B) contains the rates established in Transmittal No. 198, 2004 Annual Access Charge Tariff Filing, in effect as of July 1, 2004.

Column (C) displays the rates established in Transmittal No. 202, the Restructure of Expedite Charges, in effect as of July 31, 2004, and are used to determine the rate element weightings.

Column (D) displays the proposed rates which reflect the application of the PCI adjustment, SBI adjustment and any individual rate element adjustments, if applicable, to the current rates and nonrecurring charges.

Column (E) displays the base period revenue amount used to determine the base period revenue for the PCI calculation. The base period revenue was calculated by multiplying the historical demand for the January to December 2004 base period times the rate established in Transmittal No. 198, in effect as of July 1, 2004, for each rate element (Column A * Column B). Totals are provided by subindex, service band and basket.

Column (F) displays the current period revenue amount for each rate element. The current period revenue was calculated by multiplying the historical demand from the January to December 2004 base period times the rate currently in effect for each rate element (Column A * Column C). Totals are provided by subindex, service band and basket.

Column (G) displays the proposed revenue amount for each rate element. The proposed revenue was calculated by multiplying the historical demand for January to December 2004 times the proposed rate for each rate element (Column A * Column D). Totals are provided by subindex, service band and basket.

Workpaper SP-2 displays the current and proposed weightings to be used in the API and SBI calculations.

Column (A) displays the current period revenue for the band as a percentage of the total current revenue for the entire basket. The weighting is calculated by dividing the current revenues for each band by the total current revenues for the basket.

Column (B) displays the total basket new weightings. The new weightings are calculated by dividing the average proposed price of the band by the average current price of the band and multiplying the results by the current band weighting in Column (A).

Columns (C) and (D) display the current and proposed service weightings for the SBI. The new weightings in Column (D) are calculated by dividing the average proposed price of the service band by the average current price of the service band and multiplying the results by the current weighting of the service band in Column (C).

Columns (E) and (F) display the current and proposed weightings for the subindex. Columns (G) and (H) display the current and proposed weightings for the subindex for density zones. Column (I) displays the proposed to current revenue ratio. The ratio is calculated by dividing the average proposed rate of the band by the average current rate of the band.

The upper band limits, as displayed on TRP Chart IND-1, determine the percentage increase of the new SBI index. The SBI for each service band is the respective SBI_{t-1} multiplied by the respective band weighting in Column D, F, and H on Workpaper SP-2. The new API is the API_{t-1} multiplied by Column B on Workpaper SP-2. The upper limits for Voice Grade, Audio/Video, High Capacity/DDS, DS1 and DS3 were calculated by multiplying the SBI_{t-1} base by the quantity one, plus the change in PCI times 1.05. The upper limits for the Density Zones were calculated by multiplying the SBI_{t-1} base by the quantity one, plus the change in PCI times 1.15.

7. 2005 ANNUAL ACCESS TARIFF REVIEW PLAN DESCRIPTION

7.1 Overview of the Tariff Review Plan (TRP)

This section describes Qwest's compliance with the requirement to file TRPs in the CALLS Order and the Annual Filing Order. The rates filed in these TRPs fulfill the requirements established in 47 CFR 61.38 and 61.41 through 61.49. In support of these rates Qwest has submitted workpapers representing historical 2004 demand and rates currently in effect. These TRPs reflect a total regional level, displaying the degree of geographic aggregation at which Qwest's rates are filed.

7.2 IND-1 References

Workpaper 9 displays the transmittal number or letter filing date where the last changes were implemented for the price cap indices prior to this transmittal.

7.3 Supplement to RTE-1

The Rate Detail File is provided in addition to the RTE-1. The column headings display rate element detail, demand, and current and proposed rates.

8.0 SUMMARY OF RATE CHANGES

Appendix A lists rates being changed in this transmittal compared to the currently effective rate. The currently effective rates were set in various filings prior to July 1, 2005.