

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Special Access Rates for Price Cap Local) WC Docket No. 05-25
Exchange Carriers)

COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.

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Qwest Communications International Inc. (“Qwest”) respectfully submits these Comments to the *Notice of Proposed Rulemaking* in the above-captioned proceeding.¹

I. INTRODUCTION AND SUMMARY

A. The Commission Should Defer Action In This Proceeding Until It Has Completed Review Of The SBC/AT&T And Verizon/MCI Mergers

In this proceeding, the Federal Communications Commission (“Commission”) considers whether it should retain the additional pricing flexibility it provided for special access services in the *Pricing Flexibility Order*.² Concurrently, the Commission is reviewing the potential impact of the SBC/AT&T and Verizon/MCI mergers on special access and other related markets in the SBC and Verizon regions. Qwest’s ability to remain a viable competitor depends heavily on correct rulings by the Commission in each of these dockets, as Qwest is both a provider of

¹ *In the Matter of Special Access Rates for Price Cap Local Exchange Carriers; AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, Order and Notice of Proposed Rulemaking, WC Docket No. 05-25, RM-10593, 20 FCC Rcd 1994 (2005) (“Notice”).

² *In the Matter of Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Interexchange Carrier Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers; Petition of U S West Communications, Inc. for Forbearance from Regulation as a Dominant Carrier in the Phoenix, Arizona MSA*, CC Docket Nos. 96-262, 94-1, 98-157, CCB/CPD File No. 98-63, Fifth Report and Order and Further Notice of Proposed Rulemaking, 14 FCC Rcd 14221 (1999) (“Pricing Flexibility Order”), *aff’d*, *WorldCom v. FCC*, 238 F.3d 449 (D.C. Cir. 2001).

special access services within its local service territory and a major purchaser of special access services in the SBC and Verizon territories.

Resolution of the issues raised in the *Notice* will to a large extent turn on the outcome of the merger proceedings. If approved as proposed, the SBC/AT&T and Verizon/MCI mergers would eliminate the two largest competitors to incumbent local exchange carrier (“ILEC”) special access services in the SBC and Verizon regions. For this reason, Qwest and many other parties have urged the Commission to deny the proposed mergers, or at least to impose significant conditions on its approval of the mergers. These conditions include but are not limited to the divestiture of AT&T’s and MCI’s access operations in the respective Bell Operating Company (“BOC”) regions.

First of all, AT&T and MCI are the largest suppliers of competitive access in the respective SBC and Verizon regions. They also are the parties most likely to build additional competitive access facilities in those two regions given their current shares of retail and wholesale market, and the resulting influences on their overbuilding incentives. AT&T and MCI also influence the special access market directly and indirectly through resale of Verizon and SBC access in their wholesale and retail service products.³

Furthermore, the Commission will be considering how mutual forbearance in the access market may exacerbate merger effects. It is troublesome enough to lose AT&T as a competitive force in the SBC region, and MCI as an access competitor in the Verizon region. It is even worse insofar as Verizon now will compete less aggressively in the wholesale access market in

³ In the merger dockets the Commission must examine closely the extent to which the pro-competitive influences of AT&T and MCI will be lost as a result of the proposed mergers. In practice, as required by the Merger Guidelines, this examination must be conducted on a granular level, and cannot be undertaken in a meaningful manner based on aggregate or averaged data, such as that allowed by the Commission’s past *Pricing Flexibility Orders*.

the SBC region than MCI, and SBC similarly will compete less aggressively than AT&T does in the Verizon territories. Given the history of SBC and Verizon to limit their competition with one another in adjoining wireline service areas, they will have difficulty showing that they will now continue and expand the position of AT&T and MCI in the special access market. Indeed, SBC and Verizon will have a particular incentive to reduce access choices available to their retail competitors, reinforcing their own retail market positions.

In contrast, different competitive conditions will apply outside the SBC and Verizon regions. For example, AT&T and MCI also are the largest competitive providers of special access services in Qwest's region. Whether or not the mergers are approved, Qwest will continue to face aggressive wholesale competition from both of these companies. If anything, the competitive significance of the merged SBC/AT&T and Verizon/MCI is likely to increase substantially as they apply their increased market power in the Qwest region. Similar impacts are likely in the service areas of other ILECs.

In short, the Commission's resolution of these central issues in the merger proceedings will profoundly affect the state of competition in special access markets in the SBC and Verizon regions, and whether that competition continues to be sufficient to justify the pricing flexibility provided in the *Pricing Flexibility Order*. Much will turn on the scope of divestiture ordered in the merger dockets, and the other conditions applied there. The Commission therefore should defer making definitive decisions in this proceeding of general applicability until it has concluded its review of the proposed mergers. Until that time, it is impossible for the Commission to make informed decisions regarding the key issues in this proceeding.

B. If The Commission Takes Any Action During This Interim Period While The Merger Reviews Are Underway, It Should Be Limited To Technical Matters Related To The Price Cap Formula

Meanwhile, there is no reason for the Commission to be concerned about delaying the resolution of the issues raised in the *Notice*. This proceeding was initiated on the premise that the ARMIS rate-of-return data cited by AT&T might indicate that the price cap LECs' special access rates are above competitive levels. That premise is false. As Qwest has previously demonstrated, the accounting rates-of-return for special access services presented by AT&T are indicative only of the imprecise and outdated nature of the jurisdictional separations rules. Those rules were never designed to compute a meaningful rate-of-return for individual interstate services, given the arbitrary allocations of common costs between jurisdictions and services that occur throughout the Part 32 and Part 36 accounting and separations rules. Furthermore, even relative changes in the rate-of-return figures from year to year have lost any meaning, because the accounting and separations rules have failed to adjust to the introduction of new services that do not necessarily conform to the assumptions underlying those rules. The adoption of the separations freeze in 2001 aggravated these distortions in revenue and cost assignments, particularly as the growth in demand for these new services has exceeded the growth for other services. Thus, there is no evidence on the record of this proceeding that shows an urgent need for the Commission to address the issues raised in the *Notice*. For the reasons described above, the prudent course is for the Commission to defer ruling on these issues until the conclusion of the pending merger proceedings.

Under these circumstances, Qwest has withheld comment on the pricing flexibility issues in the *Notice*. Qwest intends to address those issues in detail once the merger proceedings are

concluded and the potentially enormous impact those transactions could have on the various markets can be meaningfully assessed.

Qwest *does* address in these Comments, however, the technical issues related to the price cap formula in the *Notice*. In particular, Qwest shows that, for those special access services that continue to be subject to price cap regulation, the price cap formula should be adjusted to reflect current market realities.⁴ Given the general decline in demand for all services seen by wireline carriers over the past five years, there is no indication that Qwest has experienced any productivity gains that are higher than the economy as a whole. It is possible and likely that special access prices, which are the result of decades of regulation (including the price reductions over the last five years that are best described as arbitrary), bear little resemblance to prices that would prevail in a competitive market. As a result, the Commission should set the X-factor to zero. In addition, there is also no need for the Commission to adopt a “g” factor for special access services. These matters are discussed below.⁵

II. THE X-FACTOR SHOULD BE ZERO FOR ANY SPECIAL ACCESS SERVICES THAT REMAIN SUBJECT TO PRICE CAP REGULATION

ARMIS data is a distorting lens on reality. The data shown in ARMIS reports are filled with misallocations and misalignments, and the Commission has acknowledged that these data do not reflect the actual economic returns or productivity of price cap LECs. For example, once this distortion is taken away, and once the actual economic performance of Qwest is examined, it becomes clear that Qwest is not earning excessive profits relative to its actual costs. Due to significant competition from AT&T, MCI and other carriers, decreasing demands for its

⁴ Qwest reserves comment on the extent to which price cap regulation should continue to apply to special access services. Qwest will address this issue when it addresses the other issues in the *Notice* regarding pricing flexibility for special access services.

⁵ In Attachment B, Qwest also provides the expense matrix data from 1994 through 2004 requested in paragraph 36 of the *Notice*.

services,⁶ Qwest is realizing productivity gains that are no higher than the economy as a whole -- as Qwest's data show.

For these reasons, the Commission should deny the requests that it adopt a new, aggressive X-factor for special access. Instead, the Commission should set the X-factor equal to zero, and increase price cap levels each year by the rate of inflation.

A. Background

The Commission adopted its price cap regime during the early 1990s as part of a general shift towards incentive regulation across the telecommunications industry.⁷ In replacement of a "cost-plus" system of regulation, in which rates were simply based on the LECs' reported costs plus a return on their invested capital, the Commission intended price caps as a regulatory mechanism that would replicate the outcome of competitive markets and "reward companies that become more productive and efficient."⁸ In turn, the Commission intended that the benefits of these industry-wide gains in productivity and efficiency gains would be shared with ratepayers.⁹

In adopting price caps, the Commission stated that:

In designing an incentive-based system of regulation for the largest LECs, our objective, as with our price caps system for AT&T, is to harness the profit-making incentives common to all businesses to produce a set of outcomes that advance the public interest goals of just, reasonable, and nondiscriminatory rates, as well as a communications system that offers innovative, high quality services. To accomplish this objective, the plan we adopt for LECs modifies the tariff review process to set a ceiling, or cap, on the prices LECs can charge for their interstate offerings. The price cap is subject to an annual adjustment that ensures prices will drop in real, inflation-adjusted terms. LECs that can outperform the

⁶ See Attachment A, Fitzsimmons Declaration at 6.

⁷ See *In the Matter of Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786 (1990) ("*LEC Price Cap Order*"), *on recon.*, 6 FCC Rcd 2637 (1991), *on further recon.*, 6 FCC Rcd 4524 (1991), 7 FCC Rcd 5235 (1992), *aff'd sub nom. National Rural Telecom Ass'n v. FCC*, 988 F.2d 174 (D.C. Cir. 1993).

⁸ See *LEC Price Cap Order*, 5 FCC Rcd at 6787 ¶ 1.

⁹ *Id.*

productivity level embedded in the annual adjustment mechanism are rewarded with the ability to retain reasonably higher earnings than would be available under the former regulatory system. Depending upon their achieved returns, their ratepayers share in those earnings. Those LECs able to decrease prices beyond the required level can retain an even greater amount of earnings.¹⁰

From its inception, then, price cap regulation was intended as a substitute for competition between carriers, since competition was not yet widespread across different telecommunications services and markets. The price cap regime and the X-factor have always been inherently artificial, as they are based upon economic assumptions about the way that output growth and productivity increases would occur in a competitive market.¹¹ Price caps were intended to encourage carriers to be efficient without penalties or perverse incentives that would distort their network investments, and simultaneously price caps were intended to lessen regulatory burdens.¹²

Over time, the Commission altered its price cap mechanisms so that they were more and more based on industry-wide assumptions and trends -- and were less and less based on the costs and data of individual carriers. For example, the Commission initially provided that a price cap LEC's interstate rate-of-return in one year could be the basis for downward adjustments to that carrier's price cap indices ("PCIs") and rates in the following year, so that the LECs would "share" a portion of their earnings above a certain level with their interstate access customers. In 1997, the Commission eliminated the "sharing" mechanism -- as well as its references to individual carrier costs and returns -- after concluding that the mechanism was an artifact of rate-

¹⁰ *Id.* ¶ 2.

¹¹ See, e.g., Timothy J. Tardiff and William E. Taylor, *Aligning Price Regulation with Telecommunications Competition*, Review of Network Economics, Vol. 2, Issue 4 (Dec. 2003) ("Tardiff and Taylor") at 339-40.

¹² *Id.*

of-return regulation, and that it blunted LEC incentives to be efficient.¹³ The Commission also suggested that it would modify the X-factor as the industry's productivity and competitiveness changed over time.¹⁴

This did not end up happening. As applied, the X-factor does not currently reflect the actual productivity of Qwest. The X-factor has been relatively constant over the last 10 years, despite upheaval and widespread changes in the U.S. telecommunications market. As the Commission is aware, the last productivity-based X-factor that was upheld by the courts was established in 1995,¹⁵ prior to the passage of the 1996 Act and other fundamental changes to the telecommunications industry since that time. And pursuant to the CALLS plan, the X-factor has effectively been a “transitional mechanism” to drive down rates to a targeted level, and it has not referenced actual industry productivity at all.¹⁶

¹³ See *In the Matter of Price Cap Performance Review for Local Exchange Carriers; Access Charge Reform*, Fourth Report and Order in CC Docket No. 94-1 and Second Report and Order in CC Docket No. 96-262, 12 FCC Rcd 16642, 16699-703 ¶¶ 147-55 (1997) (“1997 Price Cap Order”), *rev'd in part and remanded*, *United States Tel. Ass'n v. FCC*, 188 F.3d 521 (D.C. Cir. 1999). As the Commission found, “elimination of sharing reduces our reliance on, and thus the importance of, jurisdictionally separated embedded costs. The sharing obligation is triggered when a price cap carrier reports interstate earnings above a specified level. Reported earnings are calculated on the portion of embedded investment and expenses that are allocated to the interstate jurisdiction by Part 36, the jurisdictional separations manual. Interstate rate base and expense levels, and thus reported earnings, are also directly affected by accounting depreciation rates, which we prescribe for most incumbent price cap LECs. By contrast, in a competitive marketplace, decisions are governed by economic costs and economic depreciation rates. Reduced reliance on accounting costs thus facilitates our transition to the competitive paradigm of the 1996 Act.” See *id.* at 16701-02 ¶ 152.

¹⁴ *Id.* at 16701 ¶ 150.

¹⁵ See *Notice* at 2036 ¶ 131, citing *In the Matter of Price Cap Performance Review for Local Exchange Carriers*, First Report and Order, 10 FCC Rcd 8961, 9050 ¶ 198 (1995), *aff'd*, *Bell Atlantic Tel. Cos. v. FCC*, 79 F.3d 1195, 1202-05 (D.C. Cir. 1996) (“1995 Price Cap Order”).

¹⁶ See *In the Matter of Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Low-Volume Long Distance Users; Federal-State Joint Board On Universal Service*, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1; Report and Order in CC Docket No. 99-249; Eleventh Report and Order in CC Docket No. 96-45, 15 FCC Rcd 12962,

The X-factor has not reflected the actual productivity of Qwest for some time and it needs to be re-oriented. As discussed in the attached economic analysis, Qwest has experienced a decline in its overall revenue, and has not realized productivity gains greater than the economy as a whole for the last few years. In recognition of these changes, Qwest therefore suggests that the X-factor should be set at zero, and that price cap indices should be adjusted each year at the rate of inflation.

B. The Commission Should Set The X-Factor To Zero

In response to AT&T's Petition,¹⁷ the Commission inquires whether a "rate of return in excess of the Commission's prescribed rate of return for rate-of-return LECs is a valid benchmark for determining the need for an X-factor, or an X-factor that is higher than the factor under the CALLS plan or the pre-CALLS price cap regime."¹⁸ The *Notice* further asks whether it is "appropriate for [the Commission] to examine an X-factor . . . as a method of reducing the special access PCI."¹⁹ The answer to these questions should be "no," at least with respect to Qwest.

As an initial matter, the Commission should base its X-factor for special access on total company productivity. As discussed below, it is not possible to determine the productivity for a single access service or group of services, due to the substantial portion of shared costs that are directly allocated to those services.

13020-21 ¶ 140 (2000) ("*CALLS Order*"), *aff'd in part and rev'd in part, and remanded in part, Texas Office of Public Util. Counsel v. FCC*, 265 F.3d 313 (5th Cir. 2001), *cert. denied, Nat'l Ass'n of State Util. Consumer Advocates v. FCC*, 535 U.S. 986 (2002).

¹⁷ See AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, RM 10593, filed Oct. 15, 2002 at 8 ("AT&T Petition").

¹⁸ See *Notice*, 20 FCC Rcd at 2008 ¶ 35.

¹⁹ See *id.*

AT&T's claim that Qwest has been earning excessive returns on its special access services is unfounded, since the ARMIS data and the regulatory rate-of-return on which AT&T based this claim are both flawed and artificial, and they are unrepresentative of Qwest's actual financial results.²⁰ For the reasons discussed below, the X-factor should be zero. The Commission should then add an annual GDP-PI adjustment to the X-factor to account for general inflation in the national economy.²¹ This approach will be minimally disruptive and will reflect the productivity gains that Qwest is realizing today.

1. Circumstances Have Changed Since The X-Factor Was Formulated

As Tardiff and Taylor concluded in their 2003 paper, the BOCs' revenues overall have actually been dropping each year since the passage of the 1996 Act -- and actually became negative for a point during the year 2001.²² Tardiff and Taylor's study is borne out by Qwest's data. As shown in Dr. Fitzsimmons' economic analysis, this trend has continued in the subsequent years 2002 through 2005.

2. ARMIS Data Has No Relevance In Determining The Need For And The Level Of Rate-Of-Return

The *Notice* requests comment on several alternative methods of ensuring that special access rates are just and reasonable -- including reinitializing rates, requiring cost studies, and employing a 11.25% rate-of-return benchmark. The basis for this inquiry is AT&T's claim that the BOCs more than tripled their revenues from interstate special access services in the years

²⁰ See Fitzsimmons Declaration at 1.

²¹ *Id.* at 4-7; see also *Notice*, 20 FCC Rcd at 2000-01 ¶ 15, citing *CALLS Order*, 15 FCC Rcd at 13025 ¶ 149.

²² See Tardiff and Taylor at 342-44. The authors reached their conclusions using the Commission's total factor productivity ("TFP") methodology, which measures output in several different categories at once -- switched access lines, special access lines, local calling volumes, intrastate calling volumes, and interstate calling volumes. According to their index, BOC output dropped approximately 2 percent in 2001 after several years of increasingly smaller increases.

between 1996 and 2001, as reflected in ARMIS, and that their returns on special access services ranged between 21 and 49 percent in 2001.²³ AT&T contends that the ARMIS data that it has presented are authoritative proof that the BOCs have been earning excessive profits from special access services, and that these rates need to be reinitialized.²⁴

AT&T's claims about what the ARMIS data show about Qwest's rates-of-return are misleading. AT&T is confusing a regulatory rate-of-return with an actual rate-of-return. This is a serious mistake. It has long been accepted that an accounting rate-of-return -- such as that from the ARMIS data -- is a grossly inaccurate means of determining market power or actual economic profits.²⁵

There is no relationship between the "costs" reflected in an accounting rate-of-return such as ARMIS and a carrier's actual profits. As Kahn and Taylor have stated on the record in RM-10593, accounting rates-of-return that are based on regulatory cost assignments are fundamentally artificial, and are not an accurate reflection of a carrier's true economic profits.²⁶ Put another way, when a regulator such as the Commission allocates a carrier's costs between regulated and non-regulated service categories, and further allocates these costs between interstate and intrastate jurisdictions for accounting purposes, the resulting data do not reflect a carrier's actual costs, profits or losses for an individual service or category of services such as

²³ AT&T Petition at 4.

²⁴ *Id.* at 3-5.

²⁵ See, e.g., Almarin Phillips, *Market Concentration and Performance: A Review of the Evidence*, 61 Notre Dame L. Rev. 1099, 1102-03 (1986), citing F. Fisher and J. McGowan, *On the Misuse of Account Rates of Return to Infer Monopoly Profits*, 73 Amer. Econ. Rev. 82 (1983).

²⁶ See Declaration of Alfred E. Kahn and William E. Taylor on Behalf of BellSouth Corporation, Qwest Corporation, SBC Communications, Inc., and Verizon, attached to Opposition of Qwest Communications International Inc., RM-10593 at 7-8 (filed Dec. 2, 2002) ("Kahn and Taylor Declaration").

special access.²⁷ Many network costs simply cannot be directly assigned to particular services, and any allocations of such common costs are inherently arbitrary.²⁸ As a result, such allocated data do not provide regulators with an accurate basis for making pricing decisions.²⁹

The Commission's jurisdictional separations freeze has caused further distortions in the data generated by the ARMIS reports, rendering ARMIS data even more unsuitable as a basis for analyzing a carrier's actual costs and profits. As Dr. Fitzsimmons writes in the attached economic analysis:

The first principle in cost estimation is cost causation. Costs that are caused by providing a service plus a reasonable share of common costs are the appropriate costs to assign to a service. To the extent that this was ever the goal of the separations process that produced the ARMIS cost estimates, freezes in the separations factors, culminating with the freeze that accompanied the passage of the CALLS plan in 2000, have resulted in arbitrary cost allocations that bear little relationship to cost causation. Estimating the rate of return for special access services with costs that have little relationship with the actual costs of providing special access services is a nonsensical exercise that produces meaningless results.³⁰

In addition to these flaws, Dr. Fitzsimmons also identifies other serious problems with trying to use ARMIS data as a proxy for actual carrier costs:

It is noteworthy that the Commission never used ARMIS data to examine rates of return for specific service categories to determine whether adjustments were needed to LEC prices. To do so credibly would require a re-examination of the numerous policy judgments about cost allocations to determine how well they have tracked the decades of fundamental changes to telecommunications technology and shifts in demand. It is clear that the separations freeze since 2001 has not allowed the allocation process to keep pace with the accelerated changes in technology and customer demand since that time.³¹ (Citation omitted.)

²⁷ *See id.* at 8.

²⁸ *See id.* at 7-12.

²⁹ *Id.*

³⁰ *See* Fitzsimmons Declaration at 2.

³¹ *Id.*

As the *Notice* appears to recognize, it is therefore wrong to draw any conclusions regarding the reasonableness of a carrier's rates for a particular service based on the accounting rate-of-return for that service.³² Specifically, the *Notice* states that the accounting rate-of-return derived from ARMIS data is insufficient to justify an interim modification of the price cap LECs' special access rates.³³ This is sound reasoning as well as accepted economic theory, and the Commission should plainly extend its logic to its consideration of a new X-factor.

3. The Commission Will Have Difficulty Justifying An X-Factor Greater Than Zero

The Commission has had difficulty justifying a productivity-based X-factor in the past.³⁴ Based on recent economic trends in the telecommunications industry, as discussed above, as well as the objective financial data that are being submitted in this proceeding by Qwest, the Commission will have similar difficulty justifying a positive X-factor today.

As the Commission is aware, the assumptions underlying past X-factors are that price cap LECs enjoy productivity dividends on a year-by-year basis, *and* that these productivity gains increase profitability, *and* that these gains will continue in the future, *and* that a significant X-factor is necessary to allow customers to share in the cost savings resulting from such productivity gains.³⁵ However, these assumptions were based on productivity data that were as much as ten-years old when the X-factor was adopted -- long before the changes that have

³² See *Notice*, 20 FCC Rcd at 2006 ¶ 29, 2035 ¶ 129. As the Commission notes, “[h]ere, we use ARMIS data for the limited purpose of examining the relationship between demand growth and growth in expenses and investment.” *Id.*

³³ See *id.*, 20 FCC Rcd at 2035 ¶¶ 128-30.

³⁴ See, e.g., *United States Tel. Ass'n v. FCC*, 188 F.3d 521.

³⁵ See *Notice*, 20 FCC Rcd at 1998-99 ¶ 11, citing *CALLS Order*, 15 FCC Rcd at 12969-70 ¶ 18.

wracked the telecommunications industry since 1995.³⁶ As the Commission is also aware, the transitional X-factor adopted in the *CALLS Order* was not based upon a new productivity analysis.³⁷ As noted above, the price cap LECs' productivity has not been growing for the last several years, nor is it likely to resume growing in the future.

For these reasons, the underlying assumption of past productivity factors -- that historic, industry-wide productivity dividends will continue in the future -- will not be sustainable as evidenced by the record being established in this proceeding. Lacking these rationales, it is unlikely that an industry-wide productivity factor would be sustained by the courts.³⁸ For this, and the reasons previously articulated, the Commission should set the X-factor to zero.³⁹

III. THERE IS NO NEED FOR A SEPARATE "g" FACTOR

The *Notice* seeks comment on whether the Commission should adopt for special access services a "g" factor similar to the one currently in the common line formula."⁴⁰ Such a factor is not necessary to prevent Qwest from gaining unreasonable returns on its special access services.

The *Notice* suggests that the "use of a special access PCI formula that does not include a growth factor may produce unreasonable rates."⁴¹ Qwest disagrees with this conclusion. It is inappropriate to apply a "g" factor or similar factor to special access services in addition to an X-

³⁶ See *Notice*, 20 FCC Rcd at 2035 ¶¶ 129-30; contrast, *1997 Price Cap Order*. The Commission concluded in the *1997 Price Cap Order* that "from 1993 onward there has been an upward trend in the X-Factor." *1997 Price Cap Order*, 12 FCC Rcd at 16696-97 ¶ 139 ("[T]here appears to be a strong upward trend in productivity growth from 1992 to 1995"), *id.* at 16697 ¶ 141. However, the manner in which these assumptions and trends were embodied in the 1997 X-factor revisions was overturned and has not been verified since.

³⁷ See *CALLS Order*, 15 FCC Rcd at 13025 ¶¶ 149, 151.

³⁸ See, e.g., *United States Tel. Ass'n v. FCC*, 188 F.3d at 526 (questioning the assumption that productivity gains will continue as a uniform, year-to-year trend).

³⁹ See *Notice*, 20 FCC Rcd at 2000-01 ¶ 15, citing *CALLS Order*, 15 FCC Rcd at 13025 ¶ 149.

⁴⁰ See *Notice*, 20 FCC Rcd at 2010 ¶ 40.

⁴¹ *Id.*

factor. The X-factor is already intended to account for carrier efficiency gains or demand growth.⁴² As the *Notice* acknowledges, there is a strong risk that the X-factor and the “g” factor would count the same carrier productivity gains twice. Any mechanism that the Commission adopts to try to prevent this problem of double-counting productivity gains will be time-consuming, and it will either be abstract and inherently arbitrary or mind-bogglingly detailed and more costly than the potential gains it is intended to measure.

Furthermore, as Qwest has demonstrated above, the X-factor has likely overestimated these gains over the last several years. If the Commission continues to apply an industry-wide X-factor to special access services that is set at the actual rate of productivity growth, adjusted for inflation, there is no need for an additional carrier-specific mechanism to adjust for individual demand growth. Consequently, the Commission should not include a mechanism such as the “g” factor in the special access PCI formula.

IV. THE COMMISSION SHOULD NOT REINITIALIZE RATES

The Commission’s *Notice* inquires whether it is necessary to reinitialize special access rates so that they will be “just and reasonable” under a new price cap plan.⁴³ The Commission should not do this. Not only would a reinitialization of special access rates be extremely difficult to do, there also are no factual justifications or policy reasons that justify such radical actions by the Commission.

Reinitialization of special access rates would be flatly inconsistent with the incentive regulation the Commission has embraced over the past decade. It would effectively reimpose rate-of-return regulation on price cap carriers.⁴⁴ Put bluntly, this would represent a huge reversal

⁴² *See id.* at 2009 ¶ 38.

⁴³ *See id.* at 2014 ¶ 59.

⁴⁴ *See, e.g., id.* at 2017 ¶ 67.

for the Commission, and it would be a terrible policy decision. For years, Qwest has deployed capital, facilities and personnel, has retooled operations and invested in its operations based on the Commission's current regulatory regime. Reinitializing special access rates based on inherently arbitrary cost models -- thereby imposing the costs of rate-of-return regulation without also providing the required reasonable return on investment -- is completely inconsistent with the philosophy underlying price cap regulation. In addition to the chaos that such a reversal would cause, assuming it could withstand court scrutiny, this regulatory reversal would have dramatic negative impacts on Qwest's incentives to operate efficiently in the future -- as the *Notice* appears to acknowledge.⁴⁵

Reinitializing special access rates would also be extremely difficult to do. After years of intensive regulation, as well as a short period of deregulation for those services subject to pricing flexibility, there is currently no good way for the Commission to reinitialize price cap rates for special access services. Neither the ARMIS rate-of-return nor the 11.25% rate-of-return benchmark are appropriate to determine the reasonableness of special access rates, even from the "evidentiary" standpoint suggested by the *Notice*.⁴⁶ ARMIS rate-of-return numbers are not meaningful to determine a carrier's earnings for a subset of services, for the reasons discussed above.⁴⁷ Such data should not be used as evidence for any rate adjustments, much less a wholesale reinitialization of special access rates. Likewise, there is no reason to believe that the 11.25% rate-of-return benchmark has any direct relevance to the returns that Qwest is realizing on its special access services. Qwest's data show something quite contrary.⁴⁸ The use of cost

⁴⁵ *See id.*

⁴⁶ *See id.* at 2014-15 ¶¶ 60-62.

⁴⁷ *See id.* at 2015-16 ¶¶ 62-63.

⁴⁸ *See Fitzsimmons Declaration* at 4-7.

studies is also problematic, because such studies are expensive, time consuming and administratively burdensome, both for the Commission and for carriers. Designing such a cost study, administering it, and then reinitializing the special access rates for all price cap LECs would be a massive undertaking -- and it is simply not justified, based on the information in the record.

The *Notice* also asks whether a new price cap plan should include upward and downward adjustments to price cap carriers' special access rates, depending upon whether an individual carrier meets a predetermined performance benchmark. As described in the *Notice*, these adjustments would be at fixed intervals -- such as every three or five years -- based on the prescribed rate-of-return or some other unspecified measure of carrier performance.⁴⁹ Such cost-based periodic adjustments are the antithesis of incentive regulation such as price caps since they penalize carriers for achieving efficiencies. This is not simply a question of the "length of the interval" before the periodic adjustments kick in, as the *Notice* asks -- it is a question of fundamental compatibility with price caps and productivity factors in the first place. It also would be arbitrary for the Commission to adjust rates periodically without regard to the actual regulatory, financial and competitive conditions in the telecommunications industry. In the current competitive environment, the Commission cannot guess or forecast its way to the correct result several years in advance.

The *Notice* also seeks comment on the Commission's tentative conclusion that if it adopts a new price cap plan for special access services, the Commission should retain the low-end adjustment for price cap LECs that have not implemented Phase I or Phase II pricing flexibility.⁵⁰ Qwest agrees with this conclusion -- and believes that the low-end adjustment should be

⁴⁹ See *Notice*, 20 FCC Rcd at 2017-18 ¶ 68.

⁵⁰ See *id.* at 2011 ¶¶ 45-47.

available to all price cap LECs. The Commission should include a low-end adjustment for all price cap carriers in any new price cap plan that it adopts, regardless of whether a carrier has implemented Phase I or Phase II pricing flexibility, precisely because of the regulatory uncertainty under which price cap LECs are currently operating. Carriers that have given up the safety net of the low-end adjustment in order to obtain pricing flexibility should not now be penalized if the Commission alters its pricing flexibility rules in such a way as to change the previous balance of financial risks and benefits.⁵¹ As such, reinstating the low-end adjustment will enable those LECs whose earnings from special access services drop below the Commission's minimum rate-of-return to make up their losses when they do not have access to pricing flexibility and cannot set their rates according to the market.

Qwest also agrees with the Commission's tentative conclusion that there should be no sharing of earnings if it continues price cap regulation of certain special access services. The practice of earnings sharing was discarded for good reasons, and it should not be reinstated now. The Commission eliminated its prior sharing requirements in 1997 after finding that sharing blunts the incentives of price cap regulation by reducing rewards for ILEC efficiency gains.⁵² As the Commission has correctly found, sharing undermines incentives for carriers to make their operations more efficient, since they realize no benefit from doing so.

V. CONCLUSION

For the reasons described herein, the Commission should defer ruling on the issues raised in the *Notice* until it has concluded its review of the SBC/AT&T and Verizon/MCI mergers. Until that time, it is impossible for the Commission to assess the state of competition in special access markets in SBC and Verizon's local service territories. To the extent the Commission

⁵¹ See *Pricing Flexibility Order*, 14 FCC Rcd at 14304-07 ¶¶ 163-68.

⁵² See *1997 Price Cap Order*, 12 FCC Rcd at 16698-700 ¶¶ 144-48.

continues to apply price cap regulation to special access services, the Commission should set the X-factor for special access services equal to zero. There is no reason for the Commission to adopt a “g” factor for special access services.

Respectfully submitted,

QWEST COMMUNICATIONS
INTERNATIONAL INC.

By: /s/ Craig J. Brown
Blair A. Rosenthal
Craig J. Brown
Michael B. Adams
Suite 950
607 14th Street, N.W.
Washington, DC 20005
(303) 383-6649

Its Attorneys

June 13, 2005

CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused the foregoing **COMMENTS OF QWEST COMMUNICATIONS INTERNATIONAL INC.** to be 1) filed electronically via the FCC's Electronic Comment Filing System in WC Docket No. 05-25, 2) served via e-mail on Ms. Tamara Preiss, Chief, Pricing Policy Division at Tamara.Preiss@fcc.gov, and 3) served via e-mail on Best Copy and Printing, Inc. at fcc@bcpiweb.com.

Richard Grozier
Richard Grozier

June 13, 2005

ATTACHMENT A

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Special Access Rates for Price Cap Local)	
Exchange Carriers)	WC Docket No. 05-25
)	
AT&T Corp. Petition for Rulemaking to)	
Reform Regulation of Incumbent Local)	
Exchange Carrier Rates for Interstate Special)	RM-10593
Access Services)	

Declaration of
Dr. William Fitzsimmons
on Behalf of
Qwest Communications International Inc.

June 13, 2005

I. QUALIFICATIONS

My name is William Fitzsimmons. I am the Managing Director of the global telecommunications practice at LECG, an economics consulting firm. My business address is 2000 Powell Street, Suite 600, Emeryville, CA 94608. I hold a Ph.D. in Resource Economics from the University of Massachusetts, Amherst. My industry experience prior to joining LECG in 1994 includes two years of modeling demand for private line services for AT&T in New Jersey and six years as a financial modeler for BellSouth in Atlanta, where I worked for two years on the analysis of interstate price caps. At LECG, my work is focused on the economic analysis and financial modeling of telecommunications issues.

I have extensive experience assessing competition, analyzing telecommunications costs, and developing financial simulation models of incumbent and competitive exchange carriers. I have testified numerous times on these issues, and I filed affidavits with this Commission based upon my financial simulations of the expected impacts on BOCs and CLECs from changing regulatory and competitive conditions. My curriculum vitae is attached as Exhibit WLF-1.

II. ARMIS DATA ARE NOT SUITABLE FOR ESTIMATING SPECIAL ACCESS RATES OF RETURN

AT&T makes an essentially unsupported claim that BOC rates of return for special access services warrant a return to stricter price regulation.¹ The fatal flaws in AT&T's analysis are that it combines revenue, investment and expense data with no regard for the fact that the revenue data are inconsistent with the investment and expense data, and the investment and expense data are the products of arbitrary jurisdictional and service basket cost separations. AT&T does not take heed of the facts that: (1) even before the freeze on the separations process, it did not produce cost data suitable for service basket rate of return estimates; and (2) the separations process was frozen in 2001. These problems are endemic to the ARMIS data and contaminate any use of ARMIS data to estimate rates of return.

¹ *In the Matter of Special Access Rates for Price Cap Local Exchange Carriers, AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, Order and Notice of Proposed Rulemaking, 20 FCC Rcd 1994, 2022 ¶ 19 (2005) (“Notice”).

The first principle in cost estimation is cost causation. Costs that are caused by providing a service plus a reasonable share of common costs are the appropriate costs to assign to a service. To the extent that this was ever the goal of the separations process that produced the ARMIS cost estimates, freezes in the separations process, culminating with the freeze that accompanied the passage of the CALLS plan in 2000, have resulted in arbitrary cost allocations that bear little relationship to cost causation. Estimating the rate of return for special access services with costs that have little relationship with the actual costs of providing special access services is a nonsensical exercise that produces meaningless results.

It is noteworthy that the Commission never used ARMIS data to examine rates of return for specific service categories to determine whether adjustments were needed to LEC prices.² To do so credibly would require a re-examination of the numerous policy judgments about cost allocations to determine how well they have tracked the decades of fundamental changes to telecommunications technology and shifts in demand. It is clear that the separations freeze since 2001 has not allowed the allocation process to keep pace with the accelerated changes in technology and customer demand since that time.

The growth of DSL service highlights the problems with the separations data for analyzing financial returns from special access with ARMIS data. FCC Part 65 Rules define the procedure to estimate annual accounting rates of return as follows:

$$\text{Rate of Return} = (\text{Revenue} - \text{Expense} - \text{Taxes}) / \text{Average Net Investment}.^3$$

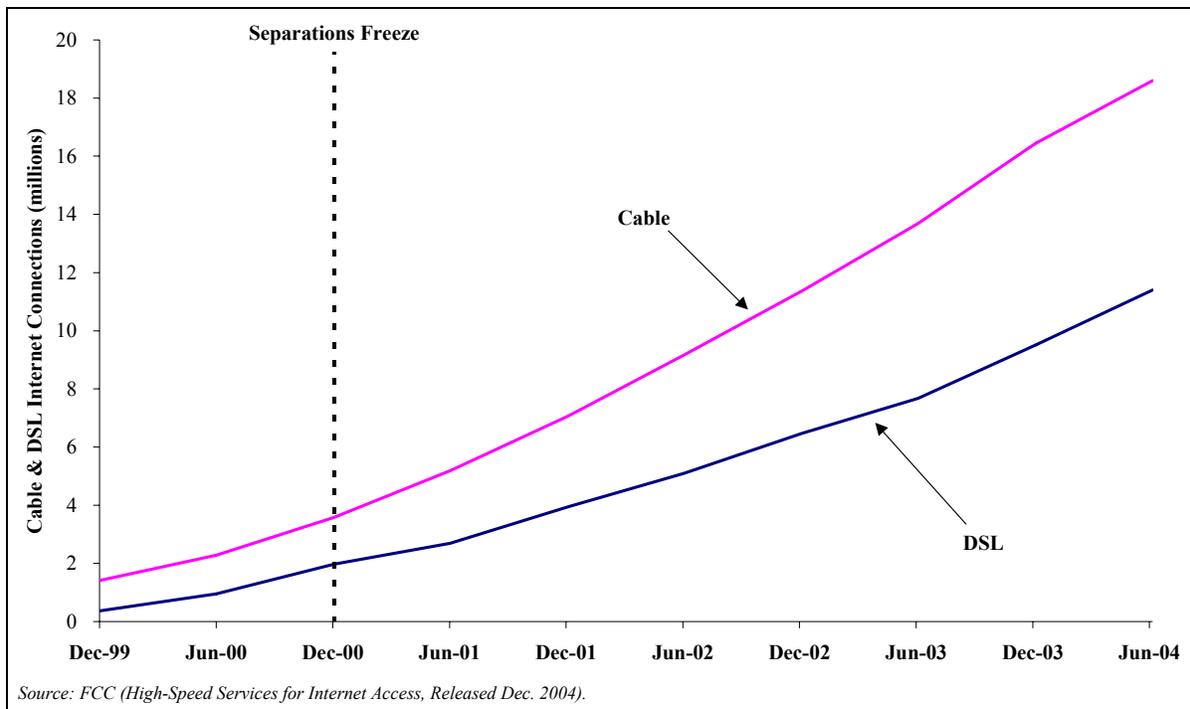
As shown, higher revenues, lower expenses, and lower average net investments all increase the rate of return estimated from this equation. The first point of concern is that the separations freeze applies to costs but not to revenues. DSL is an interstate service and its revenue flows to the interstate special access account in ARMIS. DSL investments and expenses, however, are subject to separations, and, as a result of the freeze in separations, only a portion of these expenses and investments flow to the interstate special access accounts in ARMIS. For example,

² Notice, ¶ 62.

³ See Part 65 Rules. It is unclear if the average net plant used by AT&T and the FCC follows the definition of the denominator described in the Rules. The denominator should include costs for working capital and other assets that are not part of net plant.

investments in digital subscribe line access multiplexers (“DLSAMs”) are incurred to provide DSL service, but large portions of these investments are not included in the interstate special access accounts. This is a considerable inconsistency. Figure 1 shows that there has been substantial growth in DSL and cable modem services since 2000.

**Figure 1. DSL is Growing Rapidly Nationwide
in a Competitive Market**



To put this in perspective, Qwest now has approximately one million DSL customers, and in 2004 Qwest earned approximately \$220 million DSL revenue. On the investment side, Qwest estimates that it has approximately \$240 million of investment in DSLAMs, but only a portion of this is properly allocated in ARMIS due to the separations freeze.⁴

Even during the time of franchise monopolies, when there was a clear regulatory purpose for estimating rates of return, this was a difficult and contentious exercise. Today, the exercise would be considerably more difficult, and there is no clear regulatory purpose to justify the distraction from more meaningful concerns.

⁴ Qwest costs estimates.

III. TECHNICAL CONCERNS RELATED TO PRICE CAP GOING FORWARD

In any areas where ILECs' prices are subject to price cap regulation, the FCC invites comments on how to regulate special access service prices going forward.⁵ There are compelling reasons for removing the productivity offset, and there is certainly no evidence to justify the drastic step of ratcheting prices downward to meet a rate of return target. Given the competition that Qwest is facing from AT&T, MCI and other sources, the most reasonable approach is to allow prices for price capped special access services to change with the general level of inflation, as reflected in the GDP-PI.

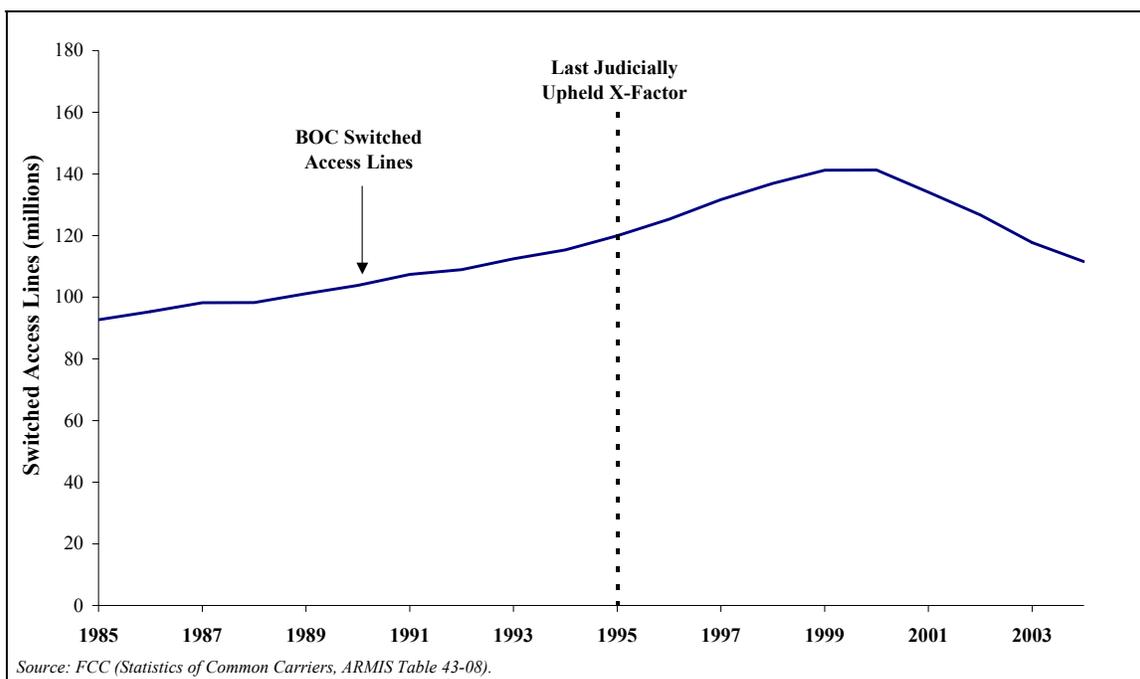
When considering how to adapt regulations to current and future conditions, it is of primary importance to recognize that the regulatory systems and practices that were developed in the world of franchise monopolies and circuit switched technology are increasingly out of sync with current and emerging technologies and the ongoing development of competitive markets. The process of jurisdictional separations, discussed above, is a case in point. This is essentially an accounting process that was designed to ensure that *the* phone company recovered its costs, including a regulated rate of return, but that it did not recover the same costs in both the interstate and intrastate jurisdictions. It is much more difficult to allocate costs based on a careful assessment of cost causation, and, indeed, one of the reasons for the current freeze to the separations process is the difficulty of keeping up with the increased usage of packet switching.⁶ Although separations served the purpose that it was designed for, it does not provide useful information for regulating services in the world of today or tomorrow. From a strictly practical perspective, the availability of comprehensive and consistent data necessary to guide regulatory decisions is difficult, if not impossible, to obtain. From a more conceptual perspective, the issues facing competitors today, including Qwest, are very different from the issues facing franchise monopoly service providers, and regulations that were once beneficial are now harmful.

⁵ Notice, ¶ 30.

⁶ *In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382, 11383 ¶ 12 (2001).

There is no sound rationale for applying productivity offsets from past interstate price cap orders to a special access price cap index going forward. First, due to the nature of network economics, productivity studies in telecommunications attempted to estimate the overall productivity achieved across the network and not productivity for sub-groups of services that are produced over the network. Second, productivity studies that supported annual offsets to interstate price levels were based on inputs and outputs during a time period when ILECs were not facing substantial competitive losses. Based on an assessment of a number of studies that produced a relatively wide range of estimates, the FCC determined that the ILECs had achieved productivity gains that exceeded the gains in the economy overall and that these gains were likely to continue into the future. It is unlikely, however, that the ILECs have achieved productivity gains in recent years that exceed the overall productivity of the economy to a degree that a productivity offset is warranted, and it is unlikely that this will change anytime soon. The now familiar evidence of this fundamental change is shown in Figure 2.

Figure 2. Switched Access Lines Demonstrate a Fundamental Shift in Local Telecommunications⁷



After gaining access lines in service for the better part of a century, switched access lines in services for the ex-franchise monopoly local exchange carriers began a decline at the turn of the century that continues today. It would be difficult to overstate the importance of this shift as it relates to current and future productivity of the legacy landline networks.⁸ When considered from a historical perspective, this is likely to stand out as the clearest evidence of the turning point that separates the circuit switched, franchise monopoly industry of the twentieth century from the competitive industry of the twenty-first century and the technologies that defy imagination.

⁷ The last productivity-based X-factor that was upheld by the courts was established in 1995. See Notice at ¶ 131, citing *In the Matter of Price Cap Performance Review for Local Exchange Carriers*, First Report and Order, 10 FCC Rcd 8961, 9050, ¶ 198 (1995), affirmed, *Bell Atlantic Tel. Co. v. FCC*, 79 F.3d 1195, 1202-05 (D.C. Cir. 1996).

⁸ A portion of the switched access losses for the BOCs are leased to CLECs, but this does not change the main point that the BOCs are operating in a very different word than when productivity studies were conducted to support a productivity offset. There is a substantial amount of line loss that is not accounted for by lines leased to CLECs and the BOCs capture significantly less contribution from the lines leased by CLECs than from their retail lines.

When adopting the CALLS plan, the FCC established an offset as a transitional mechanism to lower special access prices for a specific period of time, but it did so with the clear recognition that this was not a productivity factor. Indeed, the Commission expressed its hope that competition will have progressed to such a degree that the deregulation of special access charges will render a new price cap formula unnecessary.⁹ Within the context of adopting the industry-proposed CALLS plan, the arbitrary X-factor served a specific purpose, but this purpose was not based on an informed expectation that reducing special access prices would result in prices that are necessarily closer to prices that would prevail in a competitive market.

Although the goal of regulatory pricing is to approximate the prices that a competitive firm would charge, there is no compelling evidence that current price capped special access prices are close to achieving this goal. It is possible and likely that special access prices, that are the result of decades of regulation (including the price reductions over the last five years that are best described as arbitrary), bear little resemblance to prices that would prevail in a competitive market. It is clear, however, that Qwest's wireline businesses, including special access, will find it difficult to achieve productivity gains that were possible prior to the onset of robust competition, and this competition promises to grow more intense in the Qwest region in the coming months and years. In these circumstances, the most reasonable course is to allow special access prices that are subject to price caps to move with the price levels of the overall economy as reflected in the GDP-PI.

⁹ *In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long-Distance Users, Federal-State Joint Board On Universal Service*, Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45, 15 FCC Rcd 12962, 12977 ¶ 35 (2000); *and see Notice*, ¶ 15.



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EDUCATION

- Ph.D., Resource Economics, UNIVERSITY OF MASSACHUSETTS, Amherst, MA, 1986
Emphasis: econometrics, natural resource economics, microeconomics, project evaluation, and industrial organization
- M.S., Resource Economics, UNIVERSITY OF MASSACHUSETTS, Amherst, MA, 1981
Emphasis: project evaluation, and economics of forestry
- B.S., Economics, STATE UNIVERSITY OF NEW YORK AT STONY BROOK, NY, 1975

PRESENT POSITION

LECG, Emeryville, CA, December 1993 – present
Managing Director, Global Telecommunications Practice, July 2000 – present
Principal, January 1998 – June 2000
Senior Managing Economist, January 1997 – December 1997
Managing Economist, December 1993 – December 1996

- Construct financial simulation models for the analysis of telecommunications issues, including interconnection policies and competitive entry into the local exchange
- Analyze domestic and international telecommunications issues and provide expert witness testimony for regulatory proceedings and litigation
- Work with telecommunications clients to develop and improve cost models
- Assess impacts to telecommunications firms and competition from uneconomic or unlawful policies and practices
- Analyze and estimate costs related to use of the public rights of way by telecommunications firms

PROFESSIONAL EXPERIENCE

BELLSOUTH CORPORATION, Atlanta, GA, January 1988 - December 1993
Senior Economist, April 1992 - December 1993
Corporate Economist, January 1988 - April 1992



- Applied the tools of economic, financial and quantitative analysis to the identification and solution of a broad range of business problems, and developed recommendations for use by senior management in making policy decisions
- Key role in building model of the telephone company that interconnects behavioral equations for capital spending, expenses, real revenues, regulation, and a production function
- Based on model output, formulated and presented policy recommendations and contingency plans to meet expected changes in BellSouth's business environment, such as more severe competition, alternative regulation, and investment in multimedia
- Assessment of potential impacts of wireless on traditional wireline and cellular services
- Analyzed corporate level impacts of prospective mergers and acquisitions
- Derived econometric model that is used to create capital spending targets for the Telco and explore network investment options
- Analyzed corporation's advertising and publishing business to assist with derivation of a new pricing strategy
- Estimated the financial impacts of proposed permutations of interstate price caps
- Provided financial modeling analysis for the tender and bid process for international investments

AT&T, Bedminster, New Jersey, June 1986 - January 1988

Market Analysis and Forecasting

- Developed econometric forecasting models for telecommunication services; identified direction and financial implications of customer migration among private line services; wrote principal components regression software; presented technical and theoretical papers and seminars

PAPERS AND REPORTS

"Comments on the Feasibility of the Utopia Project," provided to and the Utah Telecommunications Open Infrastructure Agency and local newspapers in advance of a press conference in Salt Lake City sponsored by Qwest and Comcast, June 8, 2004.

"Measuring Competition for Local Services in Ameritech Ohio Using the Diagnostic Method for Assessing Competition," with Lori Lent, invited paper, International Engineering Consortium, *Annual Review of Communications Volume 54*, June 2001.

"Competition Report Using the Diagnostic Method for Assessing Competition;" delivered to the Staff of the Public Utilities Commission of Ohio; performed analysis and drafted annual reports with Lori Lent, (January 6, 2000, April 2, 2001, and April 1, 2002, March 31, 2003).

Paper prepared for Telecom New Zealand titled "Review of Network Costing Model Used in Todd Telecommunications Consortium Report," by George Barker, William L. Fitzsimmons, Kieran Murray & Graham Scott dated December 2, 1998.



“LECG Financial Simulation Model of Effects of FCC Policies on Large Local Exchange Carriers,” by Dr. William Fitzsimmons, Dr. Robert Crandall, Professor Robert G. Harris, and Professor Leonard Waverman, Paper filed with FCC, August 1996.

PRESENTATIONS, REGULATORY AND LITIGATION PROCEEDINGS

Written testimony submitted in state investigations into the FCC Triennial Review Order’s presumptive findings.

Utah, January 2004 (Docket No. 03-999-04),

Minnesota, January 2004 (MPUC Docket No. P-999/CI-03-961, OAH Docket No. 12-2500-15571-2),

Minnesota, December 2003 (MPUC Docket No. P999/CI-03-960, OAH Docket No. 3-2500-15570-2)

Declaration in property tax litigation related to telecommunications competition.

Phoenix, AZ, January 2002 (Case No. TX 98-00716, 2002)

Declarations and reports in proceedings related to the municipal management of access to public rights-of-way.

Tucson, AZ, July 2003, February 2003, November 2002 (Case No. CIV 01-2500 PHX-PGR, CIV 01-2500 PHX-JAT, 2002-2003),

California, June 2003 (Civil Action No. C-02-2500 MMC),

Berkeley, CA, November 2002, August 2002, January 2001 (Case No. C01-00663 SI, 2001-2002),

Charlotte, VT, November 2002 (Case No. 2:02-CV-261, 2002),

Seattle, WA, June 2002 (Case No. C02-0155P, 2002),

Portland, OR, November 2001 (Case No. 01-CV-1005-JE, 2001), and

Santa Fe, NM, October 2000 (Case No. CIV 00-795, 2000)

Expert written testimony and cross-examination in consolidated cost dockets in 1996-1998 and 2001-2003.

Utah (Docket No. 01-049-85, 2002-2003),

Texas (Docket No. 25188, 2002),

New Mexico (Utility Case No. 3495, 2002),

Minnesota (Docket No. P-421/CI-01-1375 and 12-2500-14490-2, 2002),

Colorado (Docket No. 99A-577T, 2001),

Arizona (Docket No. T-00000A-00-0194, Phase II, 2001),



Utah (Docket No. 94-999-01, Phase III, Part C, 1998),
Minnesota (Docket Nos. P-442, 5321, 3167, 466, 421/CI-96-1540, 1998),
New Mexico (Docket Nos. 96-310-TC and 97-334-TC, 1998),
Iowa (Docket No. RPU-96-9, 1997), and
Arizona (Docket Nos. U-3021-96-448, 1996)

Expert written testimony and cross-examination in arbitration related to unbundled network elements in 2001.

Texas (Docket No. 24542, 2001)

Expert written testimony and cross-examination in line sharing price-setting proceedings in 2000-2001.

Iowa (Docket No. RPU-01-6, 2001),
Utah (Docket No. 00-049-105, 2001),
Washington (Docket No. UT-003013, Part A, 2000), and
Minnesota (Docket No. OAH 12-2500-12631-2 and MPUC P-421/CI-99-1665, 2000)

Expert written testimony and cross-examination in broadband and line sharing price-setting proceedings in 2000-2002.

Texas (Docket No. 22469, 2000, 2002),
California (Rulemaking 93-04-003 and Investigation 93-04-002, 2001),
Missouri (Docket No. TO-2001-440, 2001), and
Ohio (Docket No. 96-922-TP-UNC, 2000)

Presentation on "Status and Measurement of Competition," National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Telecommunications, 2000 Annual Convention, San Diego, California, November 11, 2000.

Ex Parte with the FCC to discuss LECG's analysis of the FCC's Synthesis Model and proposed input values, July 13, 1999.

Joint reply affidavit with Debra Aron and Robert G. Harris filed with the FCC in the matter of implementation of the local competition provisions in the Telecommunications Act of 1996 (CC Docket No. 96-98); filed June 10, 1999.

Expert affidavit filed with the FCC in the matter of implementation of the local competition provisions in the Telecommunications Act of 1996 (CC Docket No. 96-98); filed May 26, 1999.



Expert written testimony and cross-examination in interconnection arbitration proceedings in 1997.

South Dakota (Docket No. TC96-184, 1997),
Montana (Docket No. D96.11.200, 1997),
Wyoming (Docket Nos. 72000-TS-96-95 and 70000-TS-96-319, 1997),
New Mexico (Docket No. 96-411-TC, 1997),
North Dakota (Docket No. PU-453-96-497, 1997),
Idaho (Docket Nos. USW-T-96-15 and ATT-T-96-2, 1997), and
Colorado (Docket No. 96S-331T, 1997)

Participated in cost workshops with the Utah Division of Public Utilities and Minnesota Commission in 1996, 1997, and 1998.

Expert testimony and cross-examination in universal service proceedings in 1997-1998.

Nebraska (Application No. C-1633, 1998),
Idaho (Case No. GNR-T-97-22, 1998),
Wyoming (General Order No. 81, 1998),
Minnesota (MPUC Docket No. P-999/M-97-909, 1997), and
New Mexico (Docket Nos. 96-310-TC, 97-334-TC, 1997)

Expert declarations in motions for summary judgment in Iowa (June 1997) and Washington (January 1998).

Presentation on "TELRIC Concepts and Applications," Basics of Regulation Conference, New Mexico State University Center for Public Utilities and the National Association of Regulatory Commissioners, Albuquerque, New Mexico, September 18, 1996.

ATTACHMENT B

COMPANY: U S WEST Communications
STUDY AREA: ALL
PERIOD: From Jan 1994 To Dec 1994
COISA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

ROW/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
EXPENSE ACCOUNTS						

Plant Specific Operations						

6112	Motor vehicle	50,961	3,815	1,475	146	45,525
610	Clearance - Motor vehicle	45,963	3,504	1,374	265	40,820
615	Net Balance - Motor vehicle	4,998	311	101	-119	4,705
6113	Aircraft	11,699	8	3	0	11,688
620	Clearance - Aircraft	6,338	4	1	0	6,333
625	Net Balance - Aircraft	5,361	4	2	0	5,355
6114	Special purpose vehicle	85	2	1	5	77
630	Clearance - Special purpose vehicle	42	-4	-2	5	43
635	Net Balance - Special purpose vehicle	43	6	3	0	34
6115	Garage work equipment	718	10	4	1	703
6116	Other work equipment	28,567	1,511	532	1,762	24,762
640	Clearance - Other work equipment	24,804	1,561	543	1,677	21,023
645	Net Balance - Other work equipment	3,763	-50	-11	85	3,739
6110	Network support	14,883	281	99	-33	14,536
6121	Land & building	225,920	13,193	4,887	112,125	95,715
6122	Furniture & artworks	59,659	789	352	1,247	57,271
6123	Office equipment	47,690	7,813	2,360	12,502	25,015
6124	General purpose computers	223,301	77,263	31,186	24,646	90,206
6120	General support	556,570	99,058	38,785	150,520	268,207
6211	Analog electronic	59,022	33,779	10,742	9,009	5,492
6212	Digital electronic	131,321	68,838	22,164	24,177	16,142
6215	Electro-mechanical	4,505	2,998	913	8	586
6210	Central Office-switching	194,848	105,615	33,819	33,194	22,220
6220	Operator systems	131	142	45	13	-69
6231	Radio systems	5,466	2,116	675	152	2,523
6232	Circuit equipment	106,528	65,238	20,911	3,085	17,294
6230	Central office-transmission	111,994	67,354	21,586	3,237	19,817

COMPANY: U S WEST Communications
STUDY AREA: All
PERIOD: From Jan 1994 To Dec 1994
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6311	Station apparatus	6,170	4,203	1,293	13	661
6341	Large PBX	9,984	7,029	2,126	16	813
6351	Public telephone terminal equipment	21,589	9,977	2,967	26	8,619
6362	Other terminal equipment	77,998	47,205	15,006	130	15,657
6310	Information origination/termination expense	115,741	68,414	21,392	185	25,750
6411	Poles	9,565	446	141	7,653	1,325
6421	Aerial cable	95,023	59,190	18,276	140	17,417
6422	Underground cable	35,545	20,231	6,420	52	8,842
6423	Buried cable	330,011	184,319	57,406	1,950	86,336
6424	Submarine cable	4	2	1	0	1
6425	Deep sea cable	0	0	0	0	0
6426	Intrabuilding network cable	25,536	16,166	4,744	48	4,578
6431	Aerial wire	1,180	524	160	2	494
6441	Conduit systems	6,978	335	113	187	6,343
6410	Cable and wire	503,842	281,213	87,261	10,032	125,336
650	Total Plant Specific Operations	1,498,009	622,077	202,987	197,148	475,797

COMPANY: U S WEST Communications
 STUDY AREA: All
 PERIOD: From Jan 1994 To Dec 1994
 COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
Plant Nonspecific Operations						
6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	64,804	4,315	1,587	N/A	58,902
660	Clearance - Provisioning	63,272	4,485	1,665	N/A	57,122
665	Net Balance - Provisioning	1,532	-170	-78	N/A	1,780
6510	Other property plant and equipment expense	1,532	-170	-78	N/A	1,780
6531	Power	27,076	0	0	N/A	27,076
6532	Network administration	62,289	34,911	13,741	N/A	13,637
6533	Testing	123,091	89,536	30,548	N/A	3,007
6534	Plant operations administration	1,428,964	989,830	345,338	N/A	93,796
670	Clearance - Plant operations administration	1,141,323	837,496	265,188	N/A	38,639
675	Net Balance - Plant operations administration	287,641	152,334	80,150	N/A	55,157
6535	Engineering	446,060	237,430	94,199	N/A	114,431
680	Clearance - Engineering	212,933	145,325	52,454	N/A	15,154
685	Net Balance - Engineering	233,127	92,105	41,745	N/A	99,277
6530	Network Operations	733,224	368,886	166,184	N/A	198,154
6540	Access	356,610	0	0	N/A	356,610
6561	Depreciation-TPIS	2,054,563	N/A	N/A	N/A	2,054,563
6562	Depreciation-PHFTU	0	N/A	N/A	N/A	0
6563	Amortization-tangible	74,597	N/A	N/A	N/A	74,597
6564	Amortization-intangible	1,718	N/A	N/A	N/A	1,718
6565	Amortization-other	18,959	N/A	N/A	N/A	18,959
6560	Depreciation & Amortization Expense	2,149,837	N/A	N/A	N/A	2,149,837
690	Total Plant Nonspecific Operations	3,241,203	368,716	166,106	N/A	2,706,381

COMPANY: U S WEST Communications
STUDY AREA: All
PERIOD: From Jan 1994 To Dec 1994
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)

Customer Operations						

6611	Product management	135,322	63,645	23,549	N/A	48,128
6612	Sales	193,880	64,136	25,846	N/A	103,898
6613	Product advertising	63,938	869	298	N/A	62,771
6610	Marketing Expense	393,140	128,650	49,693	N/A	214,797
6621	Call completion	59,290	35,601	17,687	N/A	6,002
6622	Number services	133,332	84,910	42,982	N/A	5,440
6623	Customer services	638,517	306,074	129,629	N/A	202,814
6620	Service Expense	831,139	426,585	190,298	N/A	214,256
700	Total Customer Operations	1,224,279	555,235	239,991	N/A	429,053
Corporate Operations						

6711	Executive	60,521	16,074	2,858	N/A	41,589
6712	Planning	11,692	4,205	1,316	N/A	6,171
6710	Executive and Planning	72,213	20,279	4,174	N/A	47,760
6721	Accounting & finance	113,281	53,729	21,476	N/A	38,076
6722	External relations	72,768	29,485	10,822	N/A	32,461
6723	Human resources	94,239	27,644	10,269	N/A	56,326
6724	Information management	504,499	120,212	49,508	N/A	334,779
6725	Legal	34,353	73	22	N/A	34,258
6726	Procurement	31,081	3,843	1,405	N/A	25,833
6727	Research and development	22,318	0	0	N/A	22,318
6728	Other general and administrative	197,003	20,652	20,883	N/A	155,468
6720	General & Administrative	1,069,542	255,638	114,385	N/A	699,519

COMPANY: U S WEST Communications
 STUDY AREA: ALL
 PERIOD: From Jan 1994 To Dec 1994
 COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6790	Provision for uncollectible notes	0	N/A	N/A	N/A	0
710	Total Corporate Operations Expense	1,141,755	275,917	118,559	N/A	747,279
720	Total Operating Expenses	7,105,246	1,821,945	727,643	197,148	4,358,510
730	Net Operating Revenue	1,785,565	N/A	N/A	N/A	N/A

COMPANY: U S WEST Communications
STUDY AREA: All
PERIOD: From Jan 1995 To Dec 1995
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
EXPENSE ACCOUNTS						

Plant Specific Operations						

6112	Motor vehicle	56,031	3,568	1,105	243	51,115
610	Clearance - Motor vehicle	50,855	3,496	1,178	370	45,811
615	Net Balance - Motor vehicle	5,176	72	-73	-127	5,304
6113	Aircraft	5,742	5	1	0	5,736
620	Clearance - Aircraft	5,586	1	0	0	5,585
625	Net Balance - Aircraft	156	4	1	0	151
6114	Special purpose vehicle	475	2	1	0	472
630	Clearance - Special purpose vehicle	238	0	0	0	238
635	Net Balance - Special purpose vehicle	237	2	1	0	234
6115	Garage work equipment	978	5	2	3	968
6116	Other work equipment	28,003	1,172	352	2,066	24,413
640	Clearance - Other work equipment	26,345	1,327	413	1,606	22,999
645	Net Balance - Other work equipment	1,658	-155	-61	460	1,414
6110	Network support	8,205	-72	-130	336	8,071
6121	Land & building	227,363	13,205	4,203	108,157	101,798
6122	Furniture & artworks	60,262	701	289	1,303	57,969
6123	Office equipment	42,055	5,329	1,450	17,620	17,656
6124	General purpose computers	216,128	70,816	26,901	11,934	106,477
6120	General support	545,808	90,051	32,843	139,014	283,900
6211	Analog electronic	53,119	32,903	9,660	4,205	6,351
6212	Digital electronic	183,518	86,531	25,612	42,983	28,392
6215	Electro-mechanical	1,462	574	167	2	719
6210	Central Office-switching	238,099	120,008	35,439	47,190	35,462
6220	Operator systems	194	88	25	28	53
6231	Radio systems	5,130	2,243	663	87	2,137
6232	Circuit equipment	109,090	70,433	20,667	586	17,404
6230	Central office-transmission	114,220	72,676	21,330	673	19,541

COMPANY: U S WEST Communications
STUDY AREA: All
PERIOD: From Jan 1995 To Dec 1995
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6311	Station apparatus	6,776	4,504	1,259	10	1,003
6341	Large PBX	9,406	6,710	1,844	16	836
6351	Public telephone terminal equipment	23,805	10,081	2,670	1,385	9,669
6362	Other terminal equipment	88,337	55,092	14,794	148	18,303
6310	Information origination/termination expense	128,324	76,387	20,567	1,559	29,811
6411	Poles	6,633	423	123	4,221	1,866
6421	Aerial cable	103,988	64,675	18,018	160	21,135
6422	Underground cable	40,409	23,030	6,641	242	10,496
6423	Buried cable	370,172	205,053	57,534	1,426	106,159
6424	Submarine cable	10	6	2	0	2
6425	Deep sea cable	0	0	0	0	0
6426	Intrabuilding network cable	23,858	15,267	4,074	47	4,470
6431	Aerial wire	1,120	443	122	1	554
6441	Conduit systems	7,597	257	82	70	7,188
6410	Cable and wire	553,787	309,154	86,596	6,167	151,870
650	Total Plant Specific Operations	1,588,637	668,292	196,670	194,967	528,708

COMPANY: U S WEST Communications
STUDY AREA: All
PERIOD: From Jan 1995 To Dec 1995
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)

Plant Nonspecific Operations						

6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	62,591	3,972	1,306	N/A	57,313
660	Clearance - Provisioning	58,107	3,876	1,667	N/A	52,564
665	Net Balance - Provisioning	4,484	96	-361	N/A	4,749
6510	Other property plant and equipment expense	4,484	96	-361	N/A	4,749
6531	Power	27,780	0	0	N/A	27,780
6532	Network administration	37,541	24,541	8,116	N/A	4,884
6533	Testing	124,579	93,017	28,828	N/A	2,734
6534	Plant operations administration	1,538,634	1,090,180	346,018	N/A	102,436
670	Clearance - Plant operations administration	1,196,142	898,032	257,816	N/A	40,294
675	Net Balance - Plant operations administration	342,492	192,148	88,202	N/A	62,142
6535	Engineering	437,982	226,745	80,254	N/A	130,983
680	Clearance - Engineering	179,817	125,079	43,756	N/A	10,982
685	Net Balance - Engineering	258,165	101,666	36,498	N/A	120,001
6530	Network Operations	790,557	411,372	161,644	N/A	217,541
6540	Access	312,912	0	0	N/A	312,912
6561	Depreciation-TPIS	2,200,872	N/A	N/A	N/A	2,200,872
6562	Depreciation-PHFTU	0	N/A	N/A	N/A	0
6563	Amortization-tangible	79,376	N/A	N/A	N/A	79,376
6564	Amortization-intangible	155	N/A	N/A	N/A	155
6565	Amortization-other	18,048	N/A	N/A	N/A	18,048
6560	Depreciation & Amortization Expense	2,298,451	N/A	N/A	N/A	2,298,451
690	Total Plant Nonspecific Operations	3,406,404	411,468	161,283	N/A	2,833,653

COMPANY: U S WEST Communications
STUDY AREA: All
PERIOD: From Jan 1995 To Dec 1995
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)

Customer Operations						

6611	Product management	129,292	63,347	21,568	N/A	44,377
6612	Sales	209,600	64,622	23,467	N/A	121,511
6613	Product advertising	64,707	991	317	N/A	63,399
6610	Marketing Expense	403,599	128,960	45,352	N/A	229,287
6621	Call completion	52,527	32,803	15,521	N/A	4,203
6622	Number services	125,460	80,871	40,511	N/A	4,078
6623	Customer services	685,143	337,145	130,915	N/A	217,083
6620	Service Expense	863,130	450,819	186,947	N/A	225,364
700	Total Customer Operations	1,266,729	579,779	232,299	N/A	454,651
Corporate Operations						

6711	Executive	81,487	27,281	3,092	N/A	51,114
6712	Planning	10,086	5,274	1,611	N/A	3,201
6710	Executive and Planning	91,573	32,555	4,703	N/A	54,315
6721	Accounting & finance	98,383	49,112	17,956	N/A	31,315
6722	External relations	63,271	29,457	10,125	N/A	23,689
6723	Human resources	99,487	30,397	10,524	N/A	58,566
6724	Information management	485,682	129,321	52,008	N/A	304,353
6725	Legal	35,839	47	15	N/A	35,777
6726	Procurement	27,523	2,679	969	N/A	23,875
6727	Research and development	13,322	0	0	N/A	13,322
6728	Other general and administrative	190,522	11,057	30,455	N/A	149,010
6720	General & Administrative	1,014,029	252,070	122,052	N/A	639,907

COMPANY: U S WEST Communications
 STUDY AREA: All
 PERIOD: From Jan 1995 To Dec 1995
 COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
 (Dollars in Thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6790	Provision for uncollectible notes	0	N/A	N/A	N/A	0
710	Total Corporate Operations Expense	1,105,602	284,625	126,755	N/A	694,222
720	Total Operating Expenses	7,367,372	1,944,164	717,007	194,967	4,511,234
730	Net Operating Revenue	1,846,926	N/A	N/A	N/A	N/A

COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
PERIOD: From: Jan 1996 To: Dec 1996
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
EXPENSE ACCOUNTS						
Plant Specific Operations						
6112	Motor vehicle	58,121	3,422	985	265	53,449
610	Clearance - Motor vehicle	52,518	3,222	984	273	48,039
615	Net Balance - Motor vehicle	5,603	200	1	-8	5,410
6113	Aircraft	1,100	0	0	0	1,100
620	Clearance - Aircraft	1,013	0	0	0	1,013
625	Net Balance - Aircraft	87	0	0	0	87
6114	Special purpose vehicles	83	3	1	0	79
630	Clearance - Special purpose vehicles	42	0	0	0	42
635	Net Balance - Special purpose vehicles	41	3	1	0	37
6115	Garage work equipment	648	4	1	5	638
6116	Other work equipment	30,594	712	196	1,961	27,725
640	Clearance - Other work equipment	27,147	910	255	1,874	24,108
645	Net Balance - Other work equipment	3,447	-198	-59	87	3,617
6110	Network support	9,826	9	-56	84	9,789
6121	Land & building	210,632	13,142	3,760	98,589	95,141
6122	Furniture & artworks	22,204	598	270	1,106	20,230
6123	Office equipment	35,904	6,818	2,011	17,269	9,806
6124	General purpose computers	191,389	72,141	22,015	5,399	91,834
6120	General support	460,129	92,699	28,056	122,363	217,011
6211	Analog electronic	51,628	30,974	8,349	5,436	6,869
6212	Digital electronic	183,668	91,990	25,219	39,057	27,402
6215	Electro-mechanical	446	284	79	0	83
6210	Central office-switching	235,742	123,248	33,647	44,493	34,354
6220	Operator systems	825	52	14	278	481
6231	Radio systems	4,558	2,011	553	95	1,899
6232	Circuit equipment	121,669	80,847	22,209	1,640	16,973
6230	Central office-transmission	126,227	82,858	22,762	1,735	18,872
6311	Station apparatus	13,141	5,355	1,510	10	6,266
6341	Large private branch exchanges	9,699	6,929	1,973	14	783
6351	Public telephone terminal equipment	31,499	10,890	3,116	4,129	13,364
6362	Other terminal equipment	120,266	77,690	21,890	200	20,486
6310	Information origination/termination expense	174,605	100,864	28,489	4,353	40,899
6411	Poles	10,284	312	82	7,682	2,208
6421	Aerial cable	125,526	70,052	19,474	160	35,840
6422	Underground cable	53,799	29,611	8,122	350	15,716
6423	Buried cable	456,990	250,500	55,134	1,239	150,117
6424	Submarine cable	3	1	0	0	2
6425	Deep sea cable	0	0	0	0	0
6426	Intrabuilding network cable	19,207	12,236	3,472	35	3,464
6431	Aerial wire	758	61	16	0	681
6441	Conduit systems	10,246	119	36	76	10,015

COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
PERIOD: From: Jan 1996 To: Dec 1996
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6410	Cable and wire	676,813	362,892	86,336	9,542	218,043
650	Total Plant Specific Operations	1,684,167	762,622	199,248	182,848	539,449
Plant Nonspecific Operations						
6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	63,860	4,126	1,253	N/A	58,481
660	Clearance - Provisioning	54,125	3,966	1,509	N/A	48,650
665	Net Balance - Provisioning	9,735	160	-256	N/A	9,831
6510	Other property plant and equipment expense	9,735	160	-256	N/A	9,831
6531	Power	34,032	0	0	N/A	34,032
6532	Network administration	34,993	21,348	7,001	N/A	6,644
6533	Testing	134,790	101,755	28,985	N/A	4,050
6534	Plant operations administration	541,705	304,389	134,358	N/A	102,958
670	Clearance - Plant operations administration	201,143	129,852	34,153	N/A	37,138
675	Net Balance - Plant operations administration	340,562	174,537	100,205	N/A	65,820
6535	Engineering	398,742	232,797	70,685	N/A	95,260
680	Clearance - Engineering	206,016	148,643	40,681	N/A	16,692
685	Net Balance - Engineering	192,726	84,154	30,004	N/A	78,568
6530	Network Operations	737,103	381,794	166,195	N/A	189,114
6540	Access	254,833	0	0	N/A	254,833
6561	Depreciation-TPIS	2,393,283	N/A	N/A	N/A	2,393,283
6562	Depreciation-PHFTU	0	N/A	N/A	N/A	0
6563	Amortization-tangible	88,428	N/A	N/A	N/A	88,428
6564	Amortization-intangible	138	N/A	N/A	N/A	138
6565	Amortization-other	18,119	N/A	N/A	N/A	18,119
6560	Depreciation & Amortization Expense	2,499,968	N/A	N/A	N/A	2,499,968
690	Total Plant Nonspecific Operations	3,501,639	381,954	165,939	N/A	2,953,746
Customer Operations						
6611	Product management	133,051	65,067	17,764	N/A	50,220
6612	Sales	238,235	69,250	19,249	N/A	149,736
6613	Product advertising	96,755	830	229	N/A	95,696
6610	Marketing Expense	468,041	135,147	37,242	N/A	295,652
6621	Call completion	46,195	31,315	12,117	N/A	2,763
6622	Number services	113,250	76,142	32,669	N/A	4,439
6623	Customer services	697,447	356,345	130,230	N/A	210,872
6620	Service Expense	856,892	463,802	175,016	N/A	218,074
700	Total Customer Operations	1,324,933	598,949	212,258	N/A	513,726
Corporate Operations						
6711	Executive	88,383	24,890	3,446	N/A	60,047
6712	Planning	8,834	3,375	1,015	N/A	4,444
6710	Executive and Planning	97,217	28,265	4,461	N/A	64,491
6721	Accounting & finance	95,041	45,956	14,798	N/A	34,287
6722	External relations	66,498	31,165	8,600	N/A	26,733
6723	Human resources	88,342	29,704	8,260	N/A	50,378
6724	Information management	517,318	160,065	45,579	N/A	311,674

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COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
PERIOD: From: Jan 1996 To: Dec 1996
COSA: USTR

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SUBMISSION 02
TABLE I-1

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6725	Legal	44,952	203	71	N/A	44,678
6726	Procurement	24,538	2,017	550	N/A	21,971
6727	Research and development	3,758	0	0	N/A	3,758
6728	Other general and administrative	271,711	44,936	5,103	N/A	221,672
6720	General & Administrative	1,112,158	314,046	82,961	N/A	715,151
6790	Provision for uncollectible notes	0	N/A	N/A	N/A	0
710	Total Corporate Operations Expense	1,209,375	342,311	87,422	N/A	779,642
720	Total Operating Expenses	7,720,114	2,085,836	664,867	182,848	4,786,563
730	Income Before Other Operating Items and Taxes	2,072,567	N/A	N/A	N/A	N/A

COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
PERIOD: From: Jan 1997 To: Dec 1997
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
EXPENSE ACCOUNTS						
Plant Specific Operations						
6112	Motor vehicle	60,270	3,619	1,108	419	55,124
610	Clearance - Motor vehicle	54,127	3,231	1,044	75	49,777
615	Net Balance - Motor vehicle	6,143	388	64	344	5,347
6113	Aircraft	944	0	0	1	943
620	Clearance - Aircraft	886	0	0	0	886
625	Net Balance - Aircraft	58	0	0	1	57
6114	Special purpose vehicles	136	2	0	0	134
630	Clearance - Special purpose vehicles	69	0	0	0	69
635	Net Balance - Special purpose vehicles	67	2	0	0	65
6115	Garage work equipment	493	2	1	1	489
6116	Other work equipment	29,054	541	164	1,591	26,758
640	Clearance - Other work equipment	27,302	611	169	1,613	24,909
645	Net Balance - Other work equipment	1,752	-70	-5	-22	1,849
6110	Network support	8,513	322	60	324	7,807
6121	Land & building	195,255	13,420	3,678	99,228	78,929
6122	Furniture & artworks	27,122	672	244	1,342	24,864
6123	Office equipment	25,439	5,272	1,389	11,537	7,241
6124	General purpose computers	200,345	69,970	21,532	21,520	87,323
6120	General support	448,161	89,334	26,843	133,627	198,357
6211	Analog electronic	48,263	28,447	8,133	6,091	5,592
6212	Digital electronic	177,114	87,314	25,080	36,864	27,856
6215	Electro-mechanical	381	259	73	0	49
6210	Central office-switching	225,758	116,020	33,286	42,955	33,497
6220	Operator systems	922	37	9	-284	1,160
6231	Radio systems	4,543	2,017	579	94	1,853
6232	Circuit equipment	118,916	82,330	23,204	682	12,700
6230	Central office-transmission	123,459	84,347	23,783	776	14,553
6311	Station apparatus	24,052	5,241	1,481	7	17,323
6341	Large private branch exchanges	11,828	8,670	2,383	13	762
6351	Public telephone terminal equipment	33,452	10,682	2,857	6,446	13,467
6362	Other terminal equipment	123,766	83,812	22,298	166	17,490
6310	Information origination/termination expense	193,098	108,405	29,019	6,632	49,042
6411	Poles	15,505	305	87	10,600	4,513
6421	Aerial cable	120,729	79,427	21,657	130	19,515
6422	Underground cable	61,757	34,999	9,563	349	16,846
6423	Buried cable	439,507	238,772	66,233	981	133,521
6424	Submarine cable	4	2	1	0	1
6425	Deep sea cable	0	0	0	0	0
6426	Intrabuilding network cable	17,377	11,529	3,048	26	2,774
6431	Aerial wire	621	64	15	0	542
6441	Conduit systems	10,989	193	55	412	10,329

COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
PERIOD: From: Jan 1997 To: Dec 1997
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TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6410	Cable and wire	666,489	365,291	100,659	12,498	188,041
650	Total Plant Specific Operations	1,666,400	763,756	213,659	196,528	492,457
Plant Nonspecific Operations						
6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	53,236	3,806	1,181	N/A	48,249
660	Clearance - Provisioning	42,533	3,834	1,260	N/A	37,439
665	Net Balance - Provisioning	10,703	-28	-79	N/A	10,810
6510	Other property plant and equipment expense	10,703	-28	-79	N/A	10,810
6531	Power	40,693	0	0	N/A	40,693
6532	Network administration	32,637	22,901	7,535	N/A	2,201
6533	Testing	150,627	114,051	34,732	N/A	1,844
6534	Plant operations administration	1,766,756	1,269,812	397,875	N/A	99,069
670	Clearance - Plant operations administration	1,471,411	1,114,053	311,580	N/A	45,778
675	Net Balance - Plant operations administration	295,345	155,759	86,295	N/A	53,291
6535	Engineering	326,666	193,836	57,463	N/A	75,367
680	Clearance - Engineering	185,338	137,309	36,819	N/A	11,210
685	Net Balance - Engineering	141,328	56,527	20,644	N/A	64,157
6530	Network Operations	660,630	349,238	149,206	N/A	162,186
6540	Access	226,985	0	0	N/A	226,985
6561	Depreciation-TPIS	2,418,486	N/A	N/A	N/A	2,418,486
6562	Depreciation-PHFTU	0	N/A	N/A	N/A	0
6563	Amortization-tangible	97,639	N/A	N/A	N/A	97,639
6564	Amortization-intangible	192	N/A	N/A	N/A	192
6565	Amortization-other	18,510	N/A	N/A	N/A	18,510
6560	Depreciation & Amortization Expense	2,534,827	N/A	N/A	N/A	2,534,827
690	Total Plant Nonspecific Operations	3,433,145	349,210	149,127	N/A	2,934,808
Customer Operations						
6611	Product management	149,670	65,322	16,812	N/A	67,536
6612	Sales	283,673	67,573	17,074	N/A	199,026
6613	Product advertising	172,796	735	203	N/A	171,858
6610	Marketing Expense	606,139	133,630	34,089	N/A	438,420
6621	Call completion	37,749	24,099	11,130	N/A	2,520
6622	Number services	102,336	66,841	31,194	N/A	4,301
6623	Customer services	660,678	338,401	122,124	N/A	200,153
6620	Service Expense	800,763	429,341	164,448	N/A	206,974
700	Total Customer Operations	1,406,902	562,971	198,537	N/A	645,394
Corporate Operations						
6711	Executive	107,575	30,540	22,059	N/A	54,976
6712	Planning	7,876	3,210	935	N/A	3,731
6710	Executive and Planning	115,451	33,750	22,994	N/A	58,707
6721	Accounting & finance	96,426	44,497	11,961	N/A	39,968
6722	External relations	72,667	24,750	7,306	N/A	40,611
6723	Human resources	72,834	22,943	5,238	N/A	44,653
6724	Information management	670,063	138,824	38,651	N/A	492,588

COMPANY: QWEST CORPORATION
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TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6725	Legal	61,270	255	23	N/A	60,992
6726	Procurement	23,102	1,891	456	N/A	20,755
6727	Research and development	3,918	0	0	N/A	3,918
6728	Other general and administrative	228,183	29,901	12,290	N/A	185,992
6720	General & Administrative	1,228,463	263,061	75,925	N/A	889,477
6790	Provision for uncollectible notes	0	N/A	N/A	N/A	0
710	Total Corporate Operations Expense	1,343,914	296,811	98,919	N/A	948,184
720	Total Operating Expenses	7,850,361	1,972,748	660,242	196,528	5,020,843
730	Income Before Other Operating Items and Taxes	2,171,432	N/A	N/A	N/A	N/A

COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
PERIOD: From: Jan 1998 To: Dec 1998
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TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
EXPENSE ACCOUNTS						
Plant Specific Operations						
6112	Motor vehicle	-41,444	-3,479	-961	-153	-36,851
610	Clearance - Motor vehicle	-46,178	-3,402	-910	-126	-41,740
615	Net Balance - Motor vehicle	4,734	-77	-51	-27	4,889
6113	Aircraft	-523	0	0	1	-524
620	Clearance - Aircraft	-563	0	0	0	-563
625	Net Balance - Aircraft	40	0	0	1	39
6114	Special purpose vehicles	0	2	0	0	-2
630	Clearance - Special purpose vehicles	-41	0	0	0	-41
635	Net Balance - Special purpose vehicles	41	2	0	0	39
6115	Garage work equipment	597	3	1	6	587
6116	Other work equipment	-23,625	-1,162	-83	-23,841	1,461
640	Clearance - Other work equipment	-26,131	-795	-96	-12,974	-12,266
645	Net Balance - Other work equipment	2,506	-367	13	-10,867	13,727
6110	Network support	7,918	-439	-37	-10,887	19,281
6121	Land & building	194,414	11,783	3,009	100,082	79,540
6122	Furniture & artworks	20,415	569	150	157	19,539
6123	Office equipment	29,927	5,340	1,372	11,193	12,022
6124	General purpose computers	191,526	70,440	18,371	22,189	80,526
6120	General support	436,282	88,132	22,902	133,621	191,627
6211	Analog electronic	46,006	23,955	6,148	11,072	4,831
6212	Digital electronic	206,144	85,544	21,926	75,322	23,352
6215	Electro-mechanical	373	281	72	1	19
6210	Central office-switching	252,523	109,780	28,146	86,395	28,202
6220	Operator systems	261	16	4	1	240
6231	Radio systems	3,847	1,960	502	121	1,264
6232	Circuit equipment	113,850	78,491	20,081	1,314	13,964
6230	Central office-transmission	117,697	80,451	20,583	1,435	15,228
6311	Station apparatus	6,899	4,402	1,126	51	1,320
6341	Large private branch exchanges	14,694	10,854	2,778	156	906
6351	Public telephone terminal equipment	32,084	10,093	2,583	6,862	12,546
6362	Other terminal equipment	123,500	83,389	21,313	1,457	17,341
6310	Information origination/termination expense	177,177	108,738	27,800	8,526	32,113
6411	Poles	12,534	322	83	10,233	1,896
6421	Aerial cable	126,955	78,579	20,103	1,138	27,135
6422	Underground cable	59,262	34,886	8,926	1,021	14,429
6423	Buried cable	449,509	254,137	76,211	3,795	115,366
6424	Submarine cable	-3	0	0	0	-3
6425	Deep sea cable	0	0	0	0	0
6426	Intrabuilding network cable	17,051	11,409	2,915	194	2,533
6431	Aerial wire	628	94	24	2	508
6441	Conduit systems	9,968	384	97	200	9,287

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TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6410	Cable and wire	675,904	379,811	108,359	16,583	171,151
650	Total Plant Specific Operations	1,667,762	766,489	207,757	235,674	457,842
Plant Nonspecific Operations						
6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	-33,790	-3,514	-1,234	N/A	-29,042
660	Clearance - Provisioning	-37,214	-3,722	-1,120	N/A	-32,372
665	Net Balance - Provisioning	3,424	208	-114	N/A	3,330
6510	Other property plant and equipment expense	3,424	208	-114	N/A	3,330
6531	Power	42,827	0	0	N/A	42,827
6532	Network administration	29,311	20,466	6,552	N/A	2,293
6533	Testing	151,801	118,460	30,347	N/A	2,994
6534	Plant operations administration	-1,194,582	-964,048	-220,717	N/A	-9,817
670	Clearance - Plant operations administration	-1,502,647	-1,159,658	-293,290	N/A	-49,699
675	Net Balance - Plant operations administration	308,065	195,610	72,573	N/A	39,882
6535	Engineering	-40,720	-65,385	-14,256	N/A	38,921
680	Clearance - Engineering	-170,560	-132,137	-31,924	N/A	-6,499
685	Net Balance - Engineering	129,840	66,752	17,668	N/A	45,420
6530	Network Operations	661,844	401,288	127,140	N/A	133,416
6540	Access	303,101	0	0	N/A	303,101
6561	Depreciation-TPIS	2,286,434	N/A	N/A	N/A	2,286,434
6562	Depreciation-PHFTU	0	N/A	N/A	N/A	0
6563	Amortization-tangible	99,242	N/A	N/A	N/A	99,242
6564	Amortization-intangible	138	N/A	N/A	N/A	138
6565	Amortization-other	20,931	N/A	N/A	N/A	20,931
6560	Depreciation & Amortization Expense	2,406,745	N/A	N/A	N/A	2,406,745
690	Total Plant Nonspecific Operations	3,375,114	401,496	127,026	N/A	2,846,592
Customer Operations						
6611	Product management	197,973	84,992	17,858	N/A	95,123
6612	Sales	252,742	75,426	15,848	N/A	161,468
6613	Product advertising	134,186	983	248	N/A	132,955
6610	Marketing Expense	584,901	161,401	33,954	N/A	389,546
6621	Call completion	31,702	19,881	8,502	N/A	3,319
6622	Number services	96,080	62,859	28,333	N/A	4,888
6623	Customer services	686,024	360,008	119,651	N/A	206,365
6620	Service Expense	813,806	442,748	156,486	N/A	214,572
700	Total Customer Operations	1,398,707	604,149	190,440	N/A	604,118
Corporate Operations						
6711	Executive	101,460	28,785	9,416	N/A	63,259
6712	Planning	7,226	4,464	1,080	N/A	1,682
6710	Executive and Planning	108,686	33,249	10,496	N/A	64,941
6721	Accounting & finance	84,378	41,620	10,511	N/A	32,247
6722	External relations	99,606	27,298	6,884	N/A	65,424
6723	Human resources	70,935	25,656	5,413	N/A	39,866
6724	Information management	790,921	116,739	26,997	N/A	647,185

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TABLE I-1 - INCOME STATEMENT ACCOUNTS
 (Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6725	Legal	82,046	151	51	N/A	81,844
6726	Procurement	20,319	1,991	506	N/A	17,822
6727	Research and development	200	0	0	N/A	200
6728	Other general and administrative	202,279	24,090	1,423	N/A	176,766
6720	General & Administrative	1,350,684	237,545	51,785	N/A	1,061,354
6790	Provision for uncollectible notes	0	N/A	N/A	N/A	0
710	Total Corporate Operations Expense	1,459,370	270,794	62,281	N/A	1,126,295
720	Total Operating Expenses	7,900,953	2,042,928	587,504	235,674	5,034,847
730	Income Before Other Operating Items and Taxes	2,767,819	N/A	N/A	N/A	N/A

COMPANY: QWEST CORPORATION
STUDY AREA: QWEST CORPORATION
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TABLE I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
EXPENSE ACCOUNTS						
Plant Specific Operations						
6112	Motor vehicle	60,872	3,756	880	3,267	52,969
610	Clearance - Motor vehicle	55,533	2,719	901	449	51,464
615	Net Balance - Motor vehicle	5,339	1,037	-21	2,818	1,505
6113	Aircraft	874	0	0	1	873
620	Clearance - Aircraft	860	0	0	0	860
625	Net Balance - Aircraft	14	0	0	1	13
6114	Tools and other work equipment	36,552	372	83	1,667	34,430
630	Clearance - Tools and other work equipment	34,050	443	110	1,674	31,823
635	Net Balance - Tools and other work equipment	2,502	-71	-27	-7	2,607
6110	Network support	7,855	966	-48	2,812	4,125
6121	Land & building	206,917	11,584	2,637	105,387	87,309
6122	Furniture & artworks	30,651	532	115	293	29,711
6123	Office equipment	33,344	5,412	1,236	13,423	13,273
6124	General purpose computers	205,971	78,237	18,730	39,532	69,472
6120	General support	476,883	95,765	22,718	158,635	199,765
6211	Analog electronic	37,975	18,524	4,225	8,569	6,657
6212	Digital electronic	180,311	92,475	21,091	24,542	42,203
6215	Electro-mechanical	364	247	56	0	61
6210	Central office-switching	218,650	111,246	25,372	33,111	48,921
6220	Operator systems	972	12	3	100	857
6231	Radio systems	3,944	1,885	430	61	1,568
6232	Circuit equipment	136,591	91,941	20,933	985	22,732
6230	Central office-transmission	140,535	93,826	21,363	1,046	24,300
6311	Station apparatus	6,456	4,147	944	9	1,356
6341	Large private branch exchanges	17,265	12,855	2,931	24	1,455
6351	Public telephone terminal equipment	26,670	9,960	2,271	2,510	11,929
6362	Other terminal equipment	136,962	92,969	21,187	218	22,588
6310	Information origination/termination expense	187,353	119,931	27,333	2,761	37,328
6411	Poles	8,394	382	87	5,758	2,167
6421	Aerial cable	152,538	93,520	21,292	186	37,540
6422	Underground cable	69,766	39,762	8,938	491	20,575
6423	Buried cable	489,514	264,236	60,597	874	163,807
6424	Submarine cable	2	1	0	0	1
6425	Deep sea cable	0	0	0	0	0
6426	Intrabuilding network cable	17,195	11,357	2,580	25	3,233
6431	Aerial wire	554	62	13	0	479
6441	Conduit systems	13,555	458	101	170	12,826
6410	Cable and wire	751,518	409,778	93,608	7,504	240,628
650	Total Plant Specific Operations	1,783,766	831,524	190,349	205,969	555,924
Plant Nonspecific Operations						

COMPANY: QWEST CORPORATION
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TABLE I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6511	PHFTU	0	0	0	N/A	0
6512	Provisioning	67,640	9,169	2,092	N/A	56,379
660	Clearance - Provisioning	62,739	5,540	1,113	N/A	56,086
665	Net Balance - Provisioning	4,901	3,629	979	N/A	293
6510	Other property plant and equipment expense	4,901	3,629	979	N/A	293
6531	Power	45,594	0	0	N/A	45,594
6532	Network administration	29,680	18,637	6,180	N/A	4,863
6533	Testing	156,431	125,202	28,534	N/A	2,695
6534	Plant operations administration	1,981,653	1,476,500	362,302	N/A	142,851
670	Clearance - Plant operations administration	1,638,922	1,282,561	279,122	N/A	77,239
675	Net Balance - Plant operations administration	342,731	193,939	83,180	N/A	65,612
6535	Engineering	284,371	181,635	40,649	N/A	62,087
680	Clearance - Engineering	174,830	140,538	26,432	N/A	7,860
685	Net Balance - Engineering	109,541	41,097	14,217	N/A	54,227
6530	Network Operations	683,977	378,875	132,111	N/A	172,991
6540	Access	359,314	0	0	N/A	359,314
6561	Depreciation-TPIS	2,459,080	N/A	N/A	N/A	2,459,080
6562	Depreciation-PHFTU	0	N/A	N/A	N/A	0
6563	Amortization-tangible	88,190	N/A	N/A	N/A	88,190
6564	Amortization-intangible	17,416	N/A	N/A	N/A	17,416
6565	Amortization-other	20,601	N/A	N/A	N/A	20,601
6560	Depreciation & Amortization Expense	2,585,287	N/A	N/A	N/A	2,585,287
690	Total Plant Nonspecific Operations	3,633,479	382,504	133,090	N/A	3,117,885
Customer Operations						
6611	Product management	191,692	81,288	16,048	N/A	94,356
6612	Sales	265,343	81,546	17,252	N/A	166,545
6613	Product advertising	144,336	710	179	N/A	143,447
6610	Marketing Expense	601,371	163,544	33,479	N/A	404,348
6621	Call completion	26,973	18,004	6,419	N/A	2,550
6622	Number services	80,655	55,652	22,064	N/A	2,939
6623	Customer services	726,126	406,862	124,943	N/A	194,321
6620	Service Expense	833,754	480,518	153,426	N/A	199,810
700	Total Customer Operations	1,435,125	644,062	186,905	N/A	604,158
Corporate Operations						
6711	Executive	84,210	26,190	8,534	N/A	49,486
6712	Planning	6,577	2,306	698	N/A	3,573
6710	Executive and Planning	90,787	28,496	9,232	N/A	53,059
6721	Accounting & finance	80,377	40,278	10,033	N/A	30,066
6722	External relations	108,869	30,606	8,113	N/A	70,150
6723	Human resources	74,858	23,869	4,884	N/A	46,105
6724	Information management	632,292	59,962	11,343	N/A	560,987
6725	Legal	69,696	-1	1	N/A	69,696
6726	Procurement	26,836	1,743	468	N/A	24,625
6727	Research and development	407	0	0	N/A	407
6728	Other general and administrative	212,514	21,824	-2,773	N/A	193,463
6720	General & Administrative	1,205,849	178,281	32,069	N/A	995,499

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SUBMISSION 02
TABLE I-1

TABLE I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (aa)	Total (ab)	Salaries and Wages (ac)	Benefits (ad)	Rents (ae)	Other Expenses (af)
6790	Provision for uncollectible notes	0	N/A	N/A	N/A	0
710	Total Corporate Operations Expense	1,296,636	206,777	41,301	N/A	1,048,558
720	Total Operating Expenses	8,149,006	2,064,867	551,645	205,969	5,326,525
730	Income Before Other Operating Items and Taxes	3,055,534	N/A	N/A	N/A	N/A

COMPANY: QWEST CORPORATION
PERIOD: From: Jan 2000 To: Dec 2000
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TABLE I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)
EXPENSE ACCOUNTS						
Plant Specific Operations						
615	Account 6112 - Motor vehicles	69,908	3,932	793	7,841	57,342
	Clearance - Motor vehicle	61,868	3,958	927	3,973	53,010
	Net Balance - Motor Vehicle	8,040	(26)	(134)	3,868	4,332
625	Account 6113 - Aircraft	602	-	-	11	591
	Clearance - Aircraft	586				586
	Net Balance - Aircraft	16	-	-	11	5
635	Account 6114 - Tools and other work equipment	54,213	367	70	2,342	51,434
	Clearance - Tools and other work equipment	49,523	401	95	2,277	46,750
	Net Balance - Tools and other work equipment	4,690	(34)	(25)	65	4,684
6110	Network support	12,746	(60)	(159)	3,944	9,021
6121	Land & building	226,874	10,887	2,128	116,914	96,945
6122	Furniture & artworks	37,354	363	70	1,772	35,149
6123	Office equipment	36,520	5,722	1,124	12,863	16,811
6124	General purpose computers	269,054	14,662	(7,142)	14,986	246,548
6120	General support	569,802	31,634	(3,820)	146,535	395,453
6211	Analog electronic	22,831	11,287	2,213	3,298	6,033
6212	Digital electronic	177,975	101,477	19,869	24,732	31,897
6215	Electro-mechanical	403	318	61	-	24
6210	Central office-switching	201,209	113,082	22,143	28,030	37,954
6220	Operator systems	596	15	2	(25)	604
6231	Radio systems	3,549	1,994	390	12	1,153
6232	Circuit equipment	146,108	101,386	19,817	876	24,029

6230	Central office-transmission	149,657	103,380	20,207	888	25,182
6311	Station apparatus	7,194	4,056	800	23	2,315
6341	Large private branch exchanges	18,526	13,994	2,737	78	1,717
6351	Public telephone terminal equipment	20,071	6,568	1,287	10	12,206
6362	Other terminal equipment	130,880	85,737	16,787	488	27,868
6310	Information origination/termination expense	176,671	110,355	21,611	599	44,106
6411	Poles	15,397	329	63	13,201	1,804
6421	Aerial cable	156,706	96,458	18,856	5,073	36,319
6422	Underground cable	64,102	33,111	6,482	838	23,671
6423	Buried cable	574,819	286,816	59,992	3,306	224,705
6424	Submarine cable	15	1	-	-	14
6425	Deep sea cable	0	-	-	-	-
6426	Intrabuilding network cable	17,290	10,753	2,106	76	4,355
6431	Aerial wire	681	49	9	-	623
6441	Conduit systems	14,150	400	78	99	13,573
6410	Cable and wire	843,160	427,917	87,586	22,593	305,064
650	Total Plant Specific Operations	1,953,841	786,323	147,570	202,564	817,384
Plant Nonspecific Operations						
6511	PHFTU	0	-	-	-	-
665	Account 6512 - Provisioning	105,946	8,802	1,720	-	95,424
	Clearance - Provisioning	100,513	9,219	2,322	-	88,972
	Net Balance - Provisioning	5,433	(417)	(602)	-	6,452
6510	Other property plant and equipment expense	5,433	(417)	(602)	-	6,452
6531	Power	51,920	-	-	-	51,920
6532	Network administration	10,704	2,717	4,849	-	3,138
6533	Testing	156,841	128,232	25,059	-	3,550
675	Account 6534 - Plant operating administration	2,180,537	1,704,474	287,100	-	188,963
	Clearance - Plant operating administration	1,778,355	1,411,750	256,532	-	110,073
	Net Balance - Plant operating administration	402,182	292,724	30,568	-	78,890
685	Account 6535 - Engineering	271,555	200,775	24,912	-	45,868
	Clearance - Engineering	209,660	171,116	28,406	-	10,138
	Net Balance - Engineering	61,895	29,659	-3,494	-	35,730
6530	Network Operations	683,542	453,332	56,982	-	173,228
6540	Access	344,185	-	-	-	344,185
6561	Depreciation-TPIS	2,577,244	-	-	-	2,577,244
6562	Depreciation-PHFTU	0	-	-	-	-
6563	Amortization-tangible	125,759	-	-	-	125,759
6564	Amortization-intangible	79,239	-	-	-	79,239
6565	Amortization-other	20,602	-	-	-	20,602

6560	Depreciation & Amortization Expense	2,802,844	-	-	-	2,802,844
690	Total Plant Nonspecific Operations	3,836,004	452,915	56,380	-	3,326,709
Customer Operations						
6611	Product management	204,118	86,649	11,937	-	105,532
6612	Sales	274,818	96,724	12,276	-	165,818
6613	Product advertising	105,127	715	157	-	104,255
6610	Marketing Expense	584,063	184,088	24,370	-	375,605
6621	Call completion	21,326	14,548	2,935	-	3,843
6622	Number services	71,334	54,699	13,658	-	2,977
6623	Customer services	734,985	453,616	103,741	-	177,628
6620	Service Expense	827,645	522,863	120,334	-	184,448
700	Total Customer Operations	1,411,708	706,951	144,704	-	560,053
Corporate Operations						
6711	Executive	162,385	95,768	19,041	-	47,576
6712	Planning	6,818	2,666	469	-	3,683
6710	Executive and Planning	169,203	98,434	19,510	-	51,259
6721	Accounting & finance	111,843	40,981	6,851	-	64,011
6722	External relations	139,029	37,004	8,219	-	93,806
6723	Human resources	84,111	29,656	3,450	-	51,005
6724	Information management	530,552	7,823	(11,410)	-	534,139
6725	Legal	57,714	-	-	-	57,714
6726	Procurement	23,357	1,142	326	-	21,889
6727	Research and development	72	-	-	-	72
6728	Other general and administrative	417,075	(13,384)	(24,869)	-	455,328
6720	General & Administrative	1,363,753	103,222	(17,433)	-	1,277,964
6790	Provision for uncollectible notes	0	-	-	-	-
710	Total Corporate Operations Expenses	1,532,956	201,656	2,077	-	1,329,223
720	Total Operating Expenses	8,734,509	2,147,845	350,731	202,564	6,033,369

COMPANY: QWEST CORPORATION
PERIOD: From: Jan 2001 To: Dec 2001
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)
EXPENSE ACCOUNTS						
Plant Specific Operations						
615	Account 6112 - Motor vehicles	68,611	3,628	716	7,660	56,607
	Clearance - Motor vehicle	57,959	3,376	803	5,825	47,955
	Net Balance - Motor Vehicle	10,652	252	(87)	1,835	8,652
625	Account 6113 - Aircraft	536	-	-	19	517
	Clearance - Aircraft	529				529
	Net Balance - Aircraft	7	-	-	19	(12)
635	Account 6114 - Tools and other work equipment	37,961	336	61	2,470	35,094
	Clearance - Tools and other work equipment	34,661	288	64	1,616	32,693
	Net Balance - Tools and other work equipment	3,300	48	(3)	854	2,401
6110	Network support	13,959	300	(90)	2,708	11,041
6121	Land & building	258,382	10,249	1,929	151,280	94,924
6122	Furniture & artworks	12,489	229	41	1,236	10,983
6123	Office equipment	26,184	5,384	1,018	10,364	9,418
6124	General purpose computers	242,334	15,529	(4,082)	13,644	217,243
6120	General support	539,389	31,391	(1,094)	176,524	332,568
6211	Analog electronic	12,298	6,542	1,233	876	3,647
6212	Digital electronic	155,023	103,417	19,464	21,662	10,480
6215	Electro-mechanical	149	112	20	-	17
6210	Central office-switching	167,470	110,071	20,717	22,538	14,144
6220	Operator systems	725	1	-	50	674
6231	Radio systems	3,096	1,836	346	13	901
6232	Circuit equipment	158,173	113,821	21,416	1,005	21,931
6230	Central office-transmission	161,269	115,657	21,762	1,018	22,832

6311	Station apparatus	10,632	5,133	967	30	4,502
6341	Large private branch exchanges	18,351	14,070	2,652	99	1,530
6351	Public telephone terminal equipment	21,175	7,026	1,323	7	12,819
6362	Other terminal equipment	123,823	87,660	16,517	561	19,085
6310	Information origination/termination expense	173,981	113,889	21,459	697	37,936

6411	Poles	13,855	394	74	9,235	4,152
6421	Aerial cable	143,522	97,550	18,377	(3,791)	31,386
6422	Underground cable	63,803	31,418	5,906	1,458	25,021
6423	Buried cable	546,889	281,237	55,050	7,028	203,574
6424	Submarine cable	28	-	-	-	28
6425	Deep sea cable	0	-	-	-	-
6426	Intrabuilding network cable	20,075	13,469	2,537	111	3,958
6431	Aerial wire	1,591	44	7	-	1,540
6441	Conduit systems	13,479	293	55	207	12,924
6410	Cable and wire	803,242	424,405	82,006	14,248	282,583

650	Total Plant Specific Operations	1,860,035	795,714	144,760	217,783	701,778
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Plant Nonspecific Operations

6511	PHFTU	0	-	-	-	-
665	Account 6512 - Provisioning	112,011	7,754	1,464	-	102,793
	Clearance - Provisioning	105,175	8,140	1,748	-	95,287
	Net Balance - Provisioning	6,836	(386)	(284)	-	7,506
6510	Other property plant and equipment expense	6,836	(386)	(284)	-	7,506
6531	Power	56,817	-	-	-	56,817
6532	Network administration	7,548	2,915	4,013	-	620
6533	Testing	147,216	119,958	22,590	-	4,668
675	Account 6534 - Plant operating administration	2,037,689	1,628,500	231,605	-	177,584
	Clearance - Plant operating administration	1,703,569	1,360,178	263,478	-	79,913
	Net Balance - Plant operating administration	334,120	268,322	(31,873)	-	97,671
685	Account 6535 - Engineering	256,743	193,982	27,183	-	35,578
	Clearance - Engineering	196,628	160,516	31,292	-	4,820
	Net Balance - Engineering	60,115	33,466	(4,109)	-	30,758
6530	Network Operations	605,816	424,661	(9,379)	-	190,534
6540	Access	319,303	-	-	-	319,303
6561	Depreciation-TPIS	2,793,140	-	-	-	2,793,140
6562	Depreciation-PHFTU	0	-	-	-	-
6563	Amortization-tangible	167,053	-	-	-	167,053
6564	Amortization-intangible	171,112	-	-	-	171,112
6565	Amortization-other	20,602	-	-	-	20,602
6560	Depreciation & Amortization Expense	3,151,907	-	-	-	3,151,907

690	Total Plant Nonspecific Operations	4,083,862	424,275	(9,663)	-	3,669,250
Customer Operations						
6611	Product management	165,434	36,702	(949)	-	129,681
6612	Sales	197,154	54,758	2,104	-	140,292
6613	Product advertising	98,330	110	18	-	98,202
6610	Marketing Expense	460,918	91,570	1,173	-	368,175
6621	Call completion	29,611	21,189	3,879	-	4,543
6622	Number services	80,950	60,574	16,860	-	3,516
6623	Customer services	804,695	424,241	125,138	-	255,316
6620	Service Expense	915,256	506,004	145,877	-	263,375
700	Total Customer Operations	1,376,174	597,574	147,050	-	631,550
Corporate Operations						
6711	Executive	16,121	6,777	3,434	-	5,910
6712	Planning	3,024	468	89	-	2,467
6710	Executive and Planning	19,145	7,245	3,523	-	8,377
6721	Accounting & finance	94,375	26,912	3,368	-	64,095
6722	External relations	116,620	9,550	3,175	-	103,895
6723	Human resources	51,377	10,695	132	-	40,550
6724	Information management	523,535	7,054	(11,763)	-	528,244
6725	Legal	68,839	-	-	-	68,839
6726	Procurement	18,669	213	26	-	18,430
6727	Research and development	456	-	-	-	456
6728	Other general and administrative	306,805	11,599	2,234	-	292,972
6720	General & Administrative	1,180,676	66,023	(2,828)	-	1,117,481
6790	Provision for uncollectible notes	0	-	-	-	-
710	Total Corporate Operations Expenses	1,199,821	73,268	695	-	1,125,858
720	Total Operating Expenses	8,519,892	1,890,831	282,842	217,783	6,128,436

COMPANY: QWEST CORPORATION
PERIOD: From: Jan 2002 To: Dec 2002
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS - CLASS A ACCOUNT LEVEL REPORTING
(Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)
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EXPENSE ACCOUNTS

Plant Specific Operations

615	Account 6112 - Motor vehicles	61,917	3,672	914	6,477	50,854
	Clearance - Motor vehicle	46,692	2,860	686	4,432	38,714
	Net Balance - Motor Vehicle	15,225	812	228	2,045	12,140
625	Account 6113 - Aircraft	716	-	-		716
	Clearance - Aircraft	716				716
	Net Balance - Aircraft	0	-	-	-	-
635	Account 6114 - Tools and other work equipment	19,078	413	103	1,133	17,429
	Clearance - Tools and other work equipment	17,471	295	66	1,119	15,991
	Net Balance - Tools and other work equipment	1,607	118	37	14	1,438
6110	Network support	16,832	930	265	2,059	13,578

6121	Land & building	232,041	8,934	2,184	139,019	81,904
6122	Furniture & artworks	2,194	79	13	(655)	2,757
6123	Office equipment	21,532	4,325	1,059	9,314	6,834
6124	General purpose computers	225,476	13,264	(1,102)	13,051	200,263
6120	General support	481,243	26,602	2,154	160,729	291,758

6211	Analog electronic	0	-	-	-	-
6212	Digital electronic	167,418	103,957	25,476	25,295	12,690
6215	Electro-mechanical	0	-	-	-	-
6210	Central office-switching	167,418	103,957	25,476	25,295	12,690

6220	Operator systems	27	7	2	(17)	35
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6231	Radio systems	2,944	1,523	373	10	1,038
6232	Circuit equipment	110,303	106,212	25,891	640	(22,440)

6230	Central office-transmission	113,247	107,735	26,264	650	(21,402)
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6311	Station apparatus	6,320	4,902	1,206	22	190
6341	Large private branch exchanges	18,724	14,122	3,483	79	1,040
6351	Public telephone terminal equipment	12,854	6,160	1,506	-	5,188
6362	Other terminal equipment	110,352	81,378	20,017	412	8,545
6310	Information origination/termination expense	148,250	106,562	26,212	513	14,963

6411	Poles	15,368	341	79	14,599	349
6421	Aerial cable	111,401	83,436	20,563	637	6,765
6422	Underground cable	45,796	27,319	6,572	(1,099)	13,004
6423	Buried cable	460,821	262,256	67,322	9,276	121,967
6424	Submarine cable	1	1	-	-	-
6425	Deep sea cable	0	-	-	-	-
6426	Intrabuilding network cable	18,826	13,295	3,263	92	2,176
6431	Aerial wire	3,211	41	9	-	3,161
6441	Conduit systems	11,098	245	46	124	10,683
6410	Cable and wire	666,522	386,934	97,854	23,629	158,105

650	Total Plant Specific Operations	1,593,539	732,727	178,227	212,858	469,727
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Plant Nonspecific Operations

6511	PHFTU	-	-	-	-	-
665	Account 6512 - Provisioning	51,723	7,940	1,961	-	41,822
	Clearance - Provisioning	52,524	9,447	2,145	-	40,932
	Net Balance - Provisioning	(801)	(1,507)	(184)	-	890
6510	Other property plant and equipment expense	(801)	(1,507)	(184)	-	890
6531	Power	61,352	-	-	-	61,352
6532	Network administration	21,799	18,805	2,241	-	753
6533	Testing	135,924	107,215	26,396	-	2,313
675	Account 6534 - Plant operating administration	1,999,362	1,466,877	417,947	-	114,538
	Clearance - Plant operating administration	1,548,353	1,198,268	292,967	-	57,118
	Net Balance - Plant operating administration	451,009	268,609	124,980	-	57,420
685	Account 6535 - Engineering	267,427	188,107	28,658	-	50,662
	Clearance - Engineering	173,403	131,697	26,357	-	15,349
	Net Balance - Engineering	94,024	56,410	2,301	-	35,313
6530	Network Operations	764,108	451,039	155,918	-	157,151
6540	Access	230,400	-	-	-	230,400
6561	Depreciation-TPIS	2,930,021	-	-	-	2,930,021
6562	Depreciation-PHFTU	0	-	-	-	-
6563	Amortization-tangible	124,722	-	-	-	124,722
6564	Amortization-intangible	292,194	-	-	-	292,194
6565	Amortization-other	20,602	-	-	-	20,602

6560	Depreciation & Amortization Expense	3,367,539	-	-	-	3,367,539
690	Total Plant Nonspecific Operations	4,361,246	449,532	155,734	-	3,755,980
Customer Operations						
6611	Product management	241,076	16,228	(2,996)	-	227,844
6612	Sales	303,932	27,926	(672)	-	276,678
6613	Product advertising	64,151	-	-	-	64,151
6610	Marketing Expense	609,159	44,154	(3,668)	-	568,673
6621	Call completion	22,173	15,216	6,517	-	440
6622	Number services	59,941	40,238	18,506	-	1,197
6623	Customer services	819,082	380,634	141,633	-	296,815
6620	Service Expense	901,196	436,088	166,656	-	298,452
700	Total Customer Operations	1,510,355	480,242	162,988	-	867,125
Corporate Operations						
6711	Executive	18,148	491	527	-	17,130
6712	Planning	1,958	-	-	-	1,958
6710	Executive and Planning	20,106	491	527	-	19,088
6721	Accounting & finance	91,283	22,461	3,367	-	65,455
6722	External relations	55,574	4,722	956	-	49,896
6723	Human resources	40,859	6,366	(481)	-	34,974
6724	Information management	555,956	4,410	(7,521)	-	559,067
6725	Legal	93,690	-	-	-	93,690
6726	Procurement	14,606	-	-	-	14,606
6727	Research and development	101	-	-	-	101
6728	Other general and administrative	94,410	(30,730)	39	-	125,101
6720	General & Administrative	946,479	7,229	(3,640)	-	942,890
6790	Provision for uncollectible notes	0	-	-	-	-
710	Total Corporate Operations Expenses	966,585	7,720	(3,113)	-	961,978
720	Total Operating Expenses	8,431,725	1,670,221	493,836	212,858	6,054,810

COMPANY QWEST CORPORATION
PERIOD: From: Jan 2003 To: Dec 2003
COSA: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)
EXPENSE ACCOUNTS						
Plant Specific Operations						
615	Account 6112 - Motor vehicles expense	66,903	4,011	1,464	6,056	55,372
	Clearance - Motor vehicle	50,000	3,629	1,166	4,787	40,418
	Net Balance - Motor Vehicle	16,903	382	298	1,269	14,954
625	Account 6113 - Aircraft expense	700	-	-		700
	Clearance - Aircraft	700				700
	Net Balance - Aircraft	0	-	-	-	-
635	Account 6114 - Tools and other work equipment expense	21,877	350	126	1,415	19,986
	Clearance - Tools and other work equipment	19,810	390	120	1,220	18,080
	Net Balance - Tools and other work equipment	2,067	(40)	6	195	1,906
6110	Network Support Expenses	18,970	342	304	1,464	16,860
6121	Land & building expense	201,785	8,281	3,067	101,845	88,592
	Furniture & artworks expense	6,019	104	30	14	5,871
6123	Office equipment expense	14,407	3,659	1,343	2,843	6,562
6124	General purpose computers expense	79,917	10,113	4,256	10,022	55,526
6120	General Support Expenses	302,128	22,157	8,696	114,724	156,551

6211	Non-digital switching expense	0	-	-	-	-
6212.1	Circuit switching expense	189,733	99,496	36,923	28,565	24,749
6212.2	Packet switching expense	1				1
6212	Digital electronic switching expense	189,734	99,496	36,923	28,565	24,750
6210	Central Office Switching Expenses	189,734	99,496	36,923	28,565	24,750

6220	Operator systems expense	198	6	2	145	45
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6231	Radio systems expense	3,332	1,624	604	11	1,093
6232.1	Electronic circuit expense	155,414	99,234	36,599	1,163	18,418
6232.2	Optical circuit expense	0				
6232	Circuit equipment expense	155,414	99,234	36,599	1,163	18,418
6230	Central Office Transmission Expenses	158,746	100,858	37,203	1,174	19,511

6311	Station apparatus expense	4,917	4,191	1,545	23	(842)
6341	Large private branch exchanges expense	19,663	13,538	5,007	77	1,041
6351	Public telephone terminal equipment	13,464	6,266	2,323	-	4,875
6362	Other terminal equipment expense	116,000	76,397	28,307	424	10,872
6310	Information Origination/Termination	154,044	100,392	37,182	524	15,946

6411	Poles expense	15,954	518	185	12,169	3,082
6421	Aerial cable expense	126,191	82,258	30,625	339	12,969
6422	Underground cable expense	52,460	31,745	11,608	(2,505)	11,612
6423	Buried cable expense	508,983	273,156	99,237	9,828	126,762
6424	Submarine and deep sea cable expense	14	-	-	-	14
6426	Intrabuilding network cable expense	18,828	12,119	4,454	92	2,163
6431	Aerial wire expense	3,858	68	26	-	3,764
6441	Conduit systems expense	10,617	303	93	22	10,199
6410	Cable and Wire Facilities Expenses	736,905	400,167	146,228	19,945	170,565

650	Total Plant Specific Operations	1,560,725	723,418	266,538	166,541	404,228
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Plant Nonspecific Operations

6511	PHFTU expense	0	-	-	-	-
665	Account 6512 - Provisioning expense	56,181	7,767	2,880	-	45,534
	Clearance - Provisioning	54,678	9,547	2,993		42,138
	Net Balance - Provisioning	1,503	(1,780)	(113)	-	3,396
6510	Other Property, Plant and Equipment	1,503	(1,780)	(113)	-	3,396

6531	Power expense	66,521	-	-	-	66,521
6532	Network administration expense	17,672	13,629	3,381	-	662
6533	Testing expense	148,901	107,242	39,850	-	1,809
675	Account 6534 - Plant operating	2,009,356	1,361,803	537,522	-	110,031
	Clearance - Plant operating administration	1,626,214	1,165,424	420,665	-	40,125
	Net Balance - Plant operating administraton	383,142	196,379	116,857	-	69,906
685	Account 6535 - Engineering expense	267,847	174,504	57,527	-	35,816
	Clearance - Engineering	194,689	145,768	40,593	-	8,328
	Net Balance - Engineering	73,158	28,736	16,934	-	27,488
6530	Network Operations Expenses	689,394	345,986	177,022	-	166,386
6540	Access expense	249,711	-	-	-	249,711
6561	Depreciation-TPIS expense	2,862,904	-	-	-	2,862,904
6562	Depreciation-PHFTU expense	0	-	-	-	-
6563	Amortization-tangible expense	64,955	-	-	-	64,955
6564	Amortization-intangible expense	344,085	-	-	-	344,085
6565	Amortization-other expense	-2,689	-	-	-	(2,689)
6560	Depreciation & Amortization Expense	3,269,255	-	-	-	3,269,255
690	Total Plant Nonspecific Operations	4,209,863	344,206	176,909	-	3,688,748
Customer Operations						
6611	Product management and sales expense	465,519	34,193	11,716	-	419,610
6613	Product advertising expense	37,910	-	-	-	37,910
6610	Marketing Expenses	503,429	34,193	11,716	-	457,520
6621	Call completion expense	22,624	13,459	8,843	-	322
6622	Number services expense	63,467	36,608	25,677	-	1,182
6623	Customer services expense	803,270	384,421	200,807	-	218,042
6620	Service Expense	889,361	434,488	235,327	-	219,546
700	Total Customer Operations Expenses	1,392,790	468,681	247,043	-	677,066
6720	General & Administrative	1,343,892	22,648	14,875	-	1,306,369
6790	Provision for uncollectible notes receivable	0	-	-	-	-
710	Total Corporate Operations Expenses	1,343,892	22,648	14,875	-	1,306,369
720	Total Operating Expenses	8,507,270	1,558,953	705,365	166,541	6,076,411

COMPANY: QWEST CORPORATION
PERIOD: From: Jan 2004 To: Dec 2004
COSAs: USTR

TABLE I-1 - INCOME STATEMENT ACCOUNTS
(Dollars in thousands)

Row/ Acct. No.	Account Title (a)	Amount (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)
EXPENSE ACCOUNTS						
Plant Specific Operations						
615	Account 6112 - Motor vehicles expense	69,761	3,955	1,527	4,922	59,357
	Clearance - Motor vehicle	55,179	3,664	1,412	4,733	45,370
	Net Balance - Motor Vehicle	14,582	291	115	189	13,987
625	Account 6113 - Aircraft expense	671	-	-	-	671
	Clearance - Aircraft	671	-	-	-	671
	Net Balance - Aircraft	-	-	-	-	-
635	Account 6114 - Tools and other work equipment expense	19,467	287	113	2,471	16,596
	Clearance - Tools and other work equipment	17,905	250	97	1,913	15,645
	Net Balance - Tools and other work equipment	1,562	37	16	558	951
6110	Network Support Expenses	16,144	328	131	747	14,938
6121	Land & building expense	200,892	8,127	3,138	106,030	83,597
6122	Furniture & artworks expense	4,459	37	12	15	4,395
6123	Office equipment expense	14,558	3,823	1,482	3,481	5,772
6124	General purpose computers expense	187,309	9,446	3,982	2,806	171,075
6120	General Support Expenses	407,218	21,433	8,614	112,332	264,839
6211	Non-digital switching expense	-	-	-	-	-
6212.1	Circuit switching expense	181,753	99,808	38,591	22,169	21,185
6212.2	Packet switching expense	24	20	8	-	(4)
6212	Digital electronic switching expense	181,777	99,828	38,599	22,169	21,181
6210	Central Office Switching Expenses	181,777	99,828	38,599	22,169	21,181
6220	Operator systems expense	77	4	2	-	71
6231	Radio systems expense	3,224	1,513	586	13	1,112

6232.1	Electronic circuit expense	148,069	87,785	33,848	1,047	25,389
6232.2	Optical circuit expense	0				
6232	Circuit equipment expense	148,069	87,785	33,848	1,047	25,389
6230	Central Office Transmission Expenses	151,293	89,298	34,434	1,060	26,501
6311	Station apparatus expense	10,540	8,063	3,127	56	(706)
6341	Large private branch exchanges expense	19,601	13,216	5,109	93	1,183
6351	Public telephone terminal equipment	11,765	4,677	1,819	966	4,303
6362	Other terminal equipment expense	116,628	75,728	29,303	473	11,124
6310	Information Origination/Termination	158,534	101,684	39,358	1,588	15,904
6411	Poles expense	12,716	695	258	9,803	1,960
6421	Aerial cable expense	128,949	82,638	31,944	422	13,945
6422	Underground cable expense	46,750	30,247	11,541	(3,813)	8,775
6423	Buried cable expense	620,904	371,459	107,099	14,679	127,667
6424	Submarine and deep sea cable expense	7	-	-	-	7
6426	Intrabuilding network cable expense	18,061	11,388	4,393	104	2,176
6431	Aerial wire expense	4,140	64	23	-	4,053
6441	Conduit systems expense	9,581	297	101	20	9,163
6410	Cable and Wire Facilities Expenses	841,108	496,788	155,359	21,215	167,746
650	Total Plant Specific Operations	1,756,151	809,363	276,497	159,111	511,180
Plant Nonspecific Operations						
6511	PHFTU expense	0	-	-	-	-
665	Account 6512 - Provisioning expense	95,580	7,555	2,921	-	85,104
	Clearance - Provisioning	55,524	7,910	3,015	-	44,599
	Net Balance - Provisioning	40,056	(355)	(94)	-	40,505
6510	Other Property, Plant and Equipment	40,056	(355)	(94)	-	40,505
6531	Power expense	65,120	-	-	-	65,120
6532	Network administration expense	15,466	11,559	3,408	-	499
6533	Testing expense	178,221	126,674	48,962	-	2,585
675	Account 6534 - Plant operating	1,854,483	1,219,856	512,484	-	122,143
	Clearance - Plant operating administration	1,579,657	1,098,650	433,206	-	47,801
	Net Balance - Plant operating	274,826	121,206	79,278	-	74,342
685	Account 6535 - Engineering expense	260,398	171,410	59,546	-	29,442
	Clearance - Engineering	181,657	133,339	42,867	-	5,451
	Net Balance - Engineering	78,741	38,071	16,679	-	23,991
6530	Network Operations Expenses	612,374	297,510	148,327	-	166,537
6540	Access expense	193,265	-	-	-	193,265
6561	Depreciation-TPIS expense	2,813,578	-	-	-	2,813,578
6562	Depreciation-PHFTU expense	0	-	-	-	-
6563	Amortization-tangible expense	19,836	-	-	-	19,836
6564	Amortization-intangible expense	362,820	-	-	-	362,820
6565	Amortization-other expense	0	-	-	-	-
6560	Depreciation & Amortization Expense	3,196,234	-	-	-	3,196,234
690	Total Plant Nonspecific Operations	4,041,929	297,155	148,233	-	3,596,541

Customer Operations

6611	Product management and sales expense	450,526	38,718	13,525	-	398,283
6613	Product advertising expense	95,905	-	-	-	95,905
6610	Marketing Expenses	546,431	38,718	13,525	-	494,188
6621	Call completion expense	14,826	8,390	6,258	-	178
6622	Number services expense	54,002	30,627	22,239	-	1,136
6623	Customer services expense	763,329	363,136	191,027	-	209,166
6620	Service Expense	832,157	402,153	219,524	-	210,480
700	Total Customer Operations Expenses	1,378,588	440,871	233,049	-	704,668
6720	General & Administrative	1,081,728	26,541	13,869	-	1,041,318
6790	Provision for uncollectible notes receivable	0	-	-	-	-
710	Total Corporate Operations Expenses	1,081,728	26,541	13,869	-	1,041,318
720	Total Operating Expenses	8,258,396	1,573,930	671,648	159,111	5,853,707