



EX PARTE OR LATE FILED

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Ed Henry
Director - Finance

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October 24, 2005

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VIA HAND DELIVERY

EX PARTE

OCT 24 2005

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Room TW B-204
445 12th Street, S.W.
Washington, DC 20554

Federal Communications Commission
Office of Secretary

Re: *In the Matter of Petition of Qwest Corporation for Waiver of Depreciation
Regulation Pursuant to 47 C.F.R. § 1.3 – WC Docket No. 05-259¹*

Dear Ms. Dortch:

On October 20, the undersigned, along with Jerome Mueller and Marti Gude, also of Qwest, met with Tamara Preiss, Fatina Franklin, Steve Morris, Rick Robinson, and Ronald Kaufman of the Wireline Competition Bureau to discuss the above-captioned matter.

During the meeting we discussed documents that were previously provided and also reviewed the attached documents.

Pursuant to FCC Rule 47 C.F.R. § 0.457(d), Qwest requests confidential treatment of the data contained in the Excel spreadsheets. The data are financial and commercial information which are not routinely available for public inspection. The data are competitively sensitive information and are specifically covered under Section 0.457(d). Release of the data would have a substantial negative competitive impact on Qwest. Those data on the pages for which Qwest requests confidential treatment have been redacted in this submission and are marked: **“REDACTED – FOR PUBLIC INSPECTION.”**

Pursuant to FCC Rule 47 C.F.R. § 1.1206(b)(2), this ex parte presentation is being filed via hand delivery. An original and one copy are being submitted as well as one copy to be stamped as received and returned to the messenger who has been instructed to wait for it. Concurrently with

¹ See Public Notice, DA 05-2337, rel. Aug. 22, 2005.

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Ms. Marlene H. Dortch

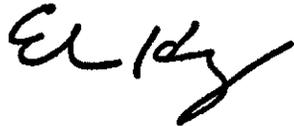
October 24, 2005

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this redacted filing, Qwest is submitting separately the Confidential - Not For Public Inspection version of this ex parte which contains the confidential data.

Please contact the undersigned with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "E. L. Dy". The signature is written in a cursive style with a long, sweeping tail on the "y".

Enclosures

cc: Tamara Preiss (Tamara.Preiss@fcc.gov)
Fatina Franklin (Fatina.Franklin@fcc.gov)
Steven Morris (Steve.Morris@fcc.gov)
Richard Robinson (Richard.Robinson@fcc.gov)
Ronald Kaufman (Ronald.Kaufman@fcc.gov)

Response to FCC Request #3 re: Qwest Depreciation Waiver Ex Parte

Question: How might this waiver request impact Qwest's prices for pole attachments?

Response: Current Qwest annual pole attachment rates for cable providers, using the FCC's methodology and presumptions, are in the range of \$.70 - \$3.00¹. The impact of the waiver request would slightly narrow that range, from \$.90 - \$2.90, with about half the states seeing some increase and the other half seeing a decrease in rates. The overall Qwest rate would change very little.

We would expect to see the following changes in the various components of the pole rate calculation:

Depreciation would decrease in all states since the depreciation rate would no longer include a cost of removal component.

Maintenance expense would increase in all states to reflect the actual cost of removal expenses.

Cost of capital component would increase in all states. For all but one of our states, net investment is currently a negative amount and thus, the cost of capital component is also negative. With the waiver request, all states would have a positive net investment and therefore, a positive cost of capital.

Collectively, for these first three elements, we would anticipate a decrease in rates in states which currently have a relatively small negative investment coupled with a fairly significant decrease in the depreciation rate as a result of the implementation of the waiver. Conversely, we would anticipate an increase in rates in states which currently have a relatively large negative investment and/or anticipate fairly small decreases in the depreciation rate. These changes would then be either offset, or compounded, by the change in the Taxes and Administrative cost components, discussed below.

Taxes and Administrative costs would decrease in most (all but three) states since these expenses are allocated based on pole investment as a percent of total investment. If pole net investment is positive, which it would be in all cases with the waiver request, then these expenses are allocated based on the net investment ratio. If pole net investment is negative, which it is in all but one state currently, then these expenses are

¹ We have one state (Oregon) which uses a more conservative assumption for usable pole space than the FCC's rebuttable presumption of 13.5 feet and therefore, the Oregon rate is outside the given range.

allocated based on the gross investment ratio. In most cases, the net pole investment ratio is less than the gross pole investment ratio, since our poles are typically older and more depreciated than the rest of our investment, and therefore, shifting from the use of a gross investment allocation to a net investment allocation results in a reduction of these costs. Where the opposite relationship is true (or, in the case of current positive net investment, where the net investment value increases because of the smaller total accumulated depreciation and deferred tax amounts resulting from the depreciation waiver), the use of a net investment vs. a gross investment allocation results in an increase of costs.

Pole Rate Analysis and State Comparison Worksheet

2005 Rates - (based on 2004 data, Submission 2) - with Depreciation Change

Description	All States with Positive Net Investment (1)														
	Washington	Arizona	Colorado	Idaho (3)	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon (2)	South Dakota	Utah	Wyoming	QWEST (3)
Pole Investment															
1 Gross Pole Investment															
2 Net Pole Investment															
3 Gross Cost of a Bare Pole															
4 Net Cost of a Bare Pole															
Carrying Charge Elements															
Depreciation:															
5 Depreciation Rate															
6 Depreciation Element															
7 Maintenance Element															
8 Administrative Element															
9 Taxes Element															
Return:															
10 Rate of Return (%)															
11 Return Element															
Sum of Carrying Charge Rate Elements															
12 (6+7+8+9+11)															
13 Space Factor (FCC Presumption)															
14 Calculated Yearly Rate															
(Formula: Space Factor * Net or Gross Cost of a Bare Pole * Total Carrying Charge Rate)															
15 Cost Component Distribution:															
Depreciation															
Cost of Capital															
Subtotal - Depr. and Cost of Capital															
Maintenance															
Administrative Costs															
Taxes															
16 Rate Components:															
Depreciation															
Cost of Capital															
Subtotal - Depr. and Cost of Capital															
Maintenance															
Administrative Costs															
Taxes															
Total Rate															
17 Poles as a % of Total Plant Investment:															
Net Investment															
Gross Investment															

NOTES:

- (1) State with Positive Net Investment use Carrying Charges calculated based on their Net Investment amount.
- States with Negative Net Investment use Carrying Charges calculated based on their Gross Investment amount, except for the Return Element which will be a negative amount based on the negative Net Investment.
- (2) Oregon rates with state legislative rule of 11.8 usable space vs. FCC's presumption of 13.5.
- (3) Effective in 2005 Qwest Total and state ARMIS data and rate results exclude Malheur.

Comparison of Differences in Rate Components Between Original Rates and Rates with Depreciation Change

2005 Rates - (based on 2004 data, Submission 2)

Original Rates, As Currently Calculated	Rate Components:	Depreciation	Cost of Capital	Subtotal - Depr. and Cost of Capital	Maintenance	Administrative Costs	Taxes	Total Rate
Washington								
Arizona								
Colorado								
Idaho								
Iowa								
Minnesota								
Montana								
Nebraska								
New Mexico								
North Dakota								
Oregon								
South Dakota								
Utah								
Wisconsin								
WEST								

Differences

Rate Components:

Depreciation

Cost of Capital

Subtotal - Depr. and Cost of Capital

Maintenance

Subtotal - Depr., Coc, and Maint.

Administrative Costs

Taxes

Subtotal - Allocated Costs

Total Rate

** Some of the Total Rate amounts on this worksheet may be off by \$.01 from the actual calculated rates due to roundings in the individual component calculation process.