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Philip E. Grate
Director - State and Federal Relations

June 29, 2007

Federal Communications Commission
Office of the Secretary
Attention: Marlene Dortch
445 12th Street, S.W.
Washington, DC 20554

FILED/ACCEPTED

JUN 29 2007

Federal Communications Commission
Office of the Secretary

RE: Qwest Corporation's Cost Allocation Manual Revisions
In the Matter of Qwest Communications International Inc. for Forbearance from Enforcement of the Commission's Dominant Carrier Rules As They Apply After Section 272 Sunsets, WC Docket No. 05-333, Memorandum Opinion and Order, 22 FCC Rcd 5207 (2007) ("Qwest Forbearance Order").

Dear Ms. Dortch:

In compliance with Section 64.903 of the Federal Communications Commission's ("Commission") rules, Qwest Corporation ("Qwest") hereby submits the attached material with partial updates to its Cost Allocation Manual ("CAM").

Qwest's CAM is being revised to update cost classification information to reflect methodology used to account for nonregulated services in accordance with the provisions described in paragraphs 67-68 of the *Qwest Forbearance Order*.¹

Enclosed are four sets of Qwest's CAM revisions. Qwest is also serving a copy of these revisions on the Division Chief of the Pricing Policy Division of the Wireline Competition Bureau, Albert Lewis, and the Commission's duplicating contractor.

Acknowledgment and date of receipt of this submission are requested. A copy of this letter is provided for this purpose.

Sincerely,

cc: Albert Lewis, Pricing Policy Division, Wireline Competition Bureau
Best Copy & Printing

Attachment

No. of Copies rec'd 0+3
List ABCDE

¹ *Qwest Forbearance Order*, 22 FCC Rcd at 5241-42 ¶¶ 67-68.

QWEST CORP.
TRANSMITTAL LETTER MATRIX
CAM CHANGES
June 29, 2007

ACTION/CHANGES	CHANGE FROM	CHANGE TO	REASON FOR CHANGE	QUANTIFICATION WHEN REQUIRED
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REFERENT PAGE INDEX

Updated

PRODUCTION

NA

Tariffed services used in the provision of nonregulated products and services are charged to the nonregulated activity at the tariffed rates and credited to the regulated revenue account for that service. Non-tariffed services, offered pursuant to a section 252(e) agreement, provided to non-regulated products and services will be charged to the nonregulated activity at the amount set forth in the applicable inter-connection agreement approved by a state commission pursuant to section 252(e) and credited to the regulated revenue account for that service.

Update cost classification information to reflect methodology used to account for nonregulated services in accordance with provisions in the Qwest Forebearance Order.

NA

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JUN 29 2007

Federal Communications Commission
Office of the Secretary

**QWEST
COST ALLOCATION MANUAL
(CAM)**

CURRENT PAGE INDEX

SECTION	PAGE	DATE REVISED	*REVISED
I. Introduction	1	12/31/2000	
	2	12/31/2000	
	3	12/31/2000	
	4	12/31/2000	
	5	12/31/2000	
II. Description of Nonregulated Activities	1	12/31/2006	
	2	12/31/2005	
	3	12/31/2005	
	4	6/29/2007	*
	5	6/30/2007	*
	6	12/31/2006	
	7	12/31/2006	
	8	12/31/2006	
III. Listing of Incidental	1	12/31/2004	
	2	12/31/2000	
	3	12/31/2000	
	4	12/31/2002	
IV. Chart of Corporate Affiliates	1	12/31/2002	
	2	12/31/2006	
V. Statement of Transactions with Affiliates	1	5/5/2004	
	2	5/5/2004	
	3	5/5/2004	
	4	9/15/2006	
	5	12/31/2005	
	6	12/31/2005	
	7	12/31/2006	
	8	12/31/2006	
	9	12/31/2006	
	10	12/31/2006	
	11	9/15/2006	
	12	12/31/2006	
VI. Cost Allocation Tables	1	12/31/2000	
	2	12/31/2004	
	3	12/31/2004	
	4	12/31/2005	
	5	12/31/2005	
	6	12/31/2006	
	7	12/31/2005	
VI. Cost Allocation Tables	8	12/31/2005	

**QWEST
COST ALLOCATION MANUAL
(CAM)**

CURRENT PAGE INDEX

SECTION	PAGE	DATE REVISED	*REVISED
(Continued)	9	12/31/2005	
	10	12/31/2000	
	11	12/31/2005	
	12	12/31/2005	
	13	12/31/2005	
	14	12/31/2000	
	15	12/31/2000	
	16	12/31/2005	
	17	12/31/2005	
	18	12/31/2005	
	19	12/31/2005	
	20	12/31/2005	
	21	12/31/2005	
	22	12/31/2005	
	23	12/31/2005	
	24	12/31/2005	
	25	12/31/2005	
	26	12/31/2005	
	27	12/31/2005	
	28	12/31/2005	
	29	12/31/2005	
	30	12/31/2005	
	31	12/31/2005	
	32	12/31/2005	
	33	12/31/2004	
	34	12/31/2005	
	35	12/31/2004	
	36	12/31/2004	
	37	12/31/2004	
	38	12/31/2006	
	39	12/31/2005	
	40	12/31/2005	
	41	12/31/2002	
	42	12/31/2005	
	43	12/31/2005	
	44	12/31/2005	
	45	12/31/2005	
	46	12/31/2002	
	47	12/31/2005	
	48	12/31/2005	

**QWEST
COST ALLOCATION MANUAL
(CAM)**

CURRENT PAGE INDEX

SECTION	PAGE	DATE REVISED	*REVISED
VI. Cost Allocation Tables (Continued)	49	12/31/2005	
	50	12/31/2005	
	51	12/31/2005	
	52	12/31/2000	
	53	12/31/2005	
	54	12/31/2005	
	55	12/31/2005	
	56	12/31/2005	
	57	12/31/2005	
	58	12/31/2005	
	59	12/31/2005	
	60	12/31/2005	
	61	12/31/2005	
	62	12/31/2005	
	63	12/31/2005	
64	12/31/2005		
65	12/31/2002		
VII. Time Reporting Information	1	12/31/2000	
	2	12/31/2000	
	3	6/30/1991	
	4	12/31/1998	
	5	11/1/1995	
	6	11/1/1995	
	7	12/31/2000	
	8	12/31/2000	
	9	12/31/2000	
	10	11/1/1995	
	11	12/31/1999	

In addition to complying with the requirements set forth in the Joint Cost Order and the Reconsideration Order, the Qwest Corp. Manual is also designed to comply with the requirements stated in Memorandum Opinion and Order in AAD 7-1693, U S WEST's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, released January 19, 1988 (hereinafter "U S WEST Order").

THE ATTRIBUTABLE COST ALLOCATION CONCEPT

The Qwest Corp. Manual utilizes an attributable cost allocation approach of fully distributing costs between its Regulated and Nonregulated products and services. Further, the Manual accounts for all of the costs contained in appropriate Part 32 accounts. Any costs not accounted for by either a direct cost assignment or cost causal apportionment are allocated via the marketing allocator or the general allocator.

Attributable cost, as applied in the Manual, does not imply that all costs will be arbitrarily allocated to all Nonregulated activities. Rather, it dictates the necessity of a careful study of all costs and the identification of a causal relationship between each cost and its related final cost assignment.

The Manual's attributable cost approach also provides sufficient controls to ensure that all of Qwest Corp.'s costs are properly accounted for and that no cost is counted more than once in the calculation of total costs for Nonregulated activities.

THE COST POOL ALLOCATION CONCEPT

Cost pools are a category of dollar amounts within each Part 32 account or subaccount that use the same Regulated/Nonregulated apportionment basis. Cost pools contain only homogeneous cost data. Thus, whenever a cost is applicable to more than one cost objective, that cost will be assigned to the proper cost pool and then will be allocated. The allocation process will attribute all cost data in that pool to Regulated and Nonregulated activities.

Each homogeneous cost pool will be allocated to its final cost objectives using only one allocation basis which will be developed specifically for that pool. A description of each cost pool type is presented in Section VI of this Manual.

THE COST CLASSIFICATION CONCEPT

The detailed cost apportionment procedures set forth in Section VI of this Manual are used to directly assign or apportion cost to Regulated, Nonregulated, or Common categories. The application of these assignment and allocation processes yields total Company costs segregated into total Regulated and total Nonregulated costs. This process occurs after the monthly journals are closed.

Tariffed services used in the provision of nonregulated products and services are charged to the nonregulated activity at the tariffed rates and credited to the regulated revenue account for that service. Nontariffed services, offered pursuant to a section 252(e) agreement, provided to nonregulated products and services will be charged to the nonregulated activity at the amount set forth in the applicable interconnection agreement approved by a state commission pursuant to section 252(e) and credited to the regulated revenue account for that service.

Directly Assigned Cost Pool represents revenues, expenses, and investments which have been incurred in providing either Regulated service exclusively or Nonregulated service exclusively. Qwest Corp. strives to use the direct assignment method for as many costs as possible.

Directly Attributed Cost Pool represents common expenses and investments which are incurred for both Regulated and Nonregulated activities and which can be apportioned using direct measures of cost-causation or direct analysis of the origin of the costs themselves.

Indirectly Attributed Cost Pool represents common expenses and investments which are incurred for both Regulated and Nonregulated activities and which can be apportioned using indirect measures of cost-causation.

Unattributable Cost Pool represents common expenses and investments which are incurred for both Regulated and Nonregulated activities for which no causal or readily identifiable relationship exists. These costs are assigned to both Regulated and Nonregulated activities through the use of the marketing allocator or the general allocator.