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IMPACT OF REMOVING DSL INVESTMENT FROM INTRASTATE

Impact on Rate Base

	Plant in Service	Accumulated Depreciation	Net Investment
1 Total DSL Amounts from Qwest Response to WDA 4-32			
2 Effective Intrastate Factor			
3 Total Net Investment Removed from Intrastate Jurisdiction			

Impact on Operating Expenses

4 Removed Depreciation Expense related to DSL Investment			
5 Removed Maintenance Expense related to DSL Investment			
6 Remove Network Operations Expense Related to DSL Investment			
7 Total Expenses Removed from Intrastate Jurisdiction			

Sources:

Intrastate Factors from Non-confidential Attachment A to Qwest Response to WDA 8-06

DSL Investment, Reserve, and Deprecation Expense from Confidential Attachment B
to Qwest Response to WDA 4-32

Other Regulated Intrastate Amounts from Qwest file "az1203.xls", tab "TestYear Summary".

Federal Communications Commission

FCC 01-162

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Jurisdictional Separations and Referral to the) CC Docket No. 80-286
Federal-State Joint Board)

REPORT AND ORDER

Adopted: May 11, 2001

Released: May 22, 2001

By the Commission:

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Part 36, shall be frozen at their calendar year 2000 percentage ratios. Part 36 requires some categories of costs to be further sub-divided into additional classifications, but does not refer to those further classifications as "categories" or "subcategories." If we were to require carriers to continue subdividing costs into these classifications, carriers still would need to perform cost studies. Because a goal of the freeze is to reduce administrative burdens on carriers, we find that any Part 36 requirement to segregate costs recorded in Part 32 accounts into categories, subcategories, or further sub-classifications shall be frozen at their percentage relationship for the calendar year 2000.

23. Similarly, we find that in order to relieve all carriers of performing traffic or relative-use studies for separations purposes, all allocation factors used to assign Part 36 categories, subcategories, or further subdivisions to the state or interstate jurisdictions shall be frozen utilizing the factors calculated for the calendar year 2000. Categories or portions of categories that have been directly assigned in the past, however, will continue to be directly assigned to each jurisdiction. In other words, the frozen factors shall not have an effect on the direct assignment of costs for categories, or portions of categories, that are directly assigned. Since those portions of facilities that are utilized exclusively for services within the state or interstate jurisdiction are readily identifiable, we believe that the continuation of direct assignment of costs will not be a burden on carriers, nor will it adversely impact the stability of separations results throughout the freeze.⁶⁰

24. Appendix A of the Recommended Decision provides the Joint Board's recommendation of the categories and factors to be frozen.⁶¹ SBC, however, noted that Appendix A of the *Recommended Decision* failed to include Telephone Operator Expense and Published Directory Listing as frozen categories of Account 6620-Services.⁶² Because these costs and relative use factors fall within the parameters of the freeze, we agree with SBC that it is appropriate to include these costs and their relative use factors in the freeze and therefore amend the list of categories and factors as specified in Appendix B of this Report and Order.

3. Base Year of the Freeze

25. The Joint Board recommended that, for all carriers, the Part 36 freeze should be based on data from the twelve-month period immediately prior to the date of the Commission's release of a Report and Order implementing the *Recommended Decision*.⁶³ The Joint Board believes that a freeze based on carriers' most recent data would provide the greatest measure of

⁶⁰ Examples of facilities in which a portion can be directly assigned include, Central Office Equipment- Category 2, Tandem switching equipment and Cable and Wire Facilities-Category 2, Wideband and exchange trunk. See 47 C.F.R. §§ 36.124 and 36.155.

⁶¹ *Recommended Decision*, Appendix A, 15 FCC Rcd at 13181-83.

⁶² See SBC Comments at 3-4. See also, 47 C.F.R. §§ 36.374-375.

⁶³ *Recommended Decision*, 15 FCC Rcd at 13174, para. 25.

APPENDIX C

Final Rules

Part 36 of Title 47 of the Code of Federal Regulations is amended as follows:

**PART 36 – JURISDICTIONAL SEPARATIONS PROCEDURES;
STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS
PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR
TELECOMMUNICATIONS COMPANIES**

Subpart A – General

1. Section 36.3 is added as follows:

§ 36.3 Freezing of jurisdictional separations category relationships and/or allocation factors

(a) Effective July 1, 2001, through June 30, 2006, all local exchange carriers subject to Part 36 rules shall apportion costs to the jurisdictions using their study area and/or exchange specific separations allocation factors calculated during the twelve month period ending December 31, 2000, for each of the categories/sub-categories as specified herein. Direct assignment of private line service costs between jurisdictions shall be updated annually. Other direct assignment of investment, expenses, revenues or taxes between jurisdictions shall be updated annually. Local exchange carriers that invest in telecommunications plant categories during the period July 1, 2001, through June 30, 2006, for which it had no separations allocation factors for the twelve month period ending December 31, 2000, shall apportion that investment among the jurisdictions in accordance with the separations procedures in effect as of December 31, 2000 for the duration of the freeze.

(b) Effective July 1, 2001, through June 30, 2006, local exchange carriers subject to price cap regulation, pursuant to § 61.41, shall assign costs from the Part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated Part 32 accounts for the twelve month period ending December 31, 2000. If a Part 32 account for separations purposes is categorized into more than one category, the percentage relationship among the categories shall be utilized as well. Local exchange carriers that invest in types of telecommunications plant during the period July 1, 2001, through June 30, 2006, for which it had no separations category investment for the twelve month period ending December 31, 2000, shall assign such investment to separations categories in accordance with the separations procedures in effect as of December 31, 2000.

(1) Local exchange carriers not subject to price cap regulation, pursuant to § 61.41, may elect to be subject to the provisions of § 36.3(b). Such election

REPRODUCTION COST NEW LESS DEPRECIATION
Staff Recommended Depreciation Parameters

Account Number	Category	Condition Percent (% of Life Remaining)
2112	Motor Vehicles	40.36%
2114	Special Purpose Vehicles	27.06%
2115	Garage Work Equipment	64.93%
2116	Other Work Equipment	59.30%
2121	Buildings	59.83%
2122	Furniture	49.46%
2123.1	Office Equipment	19.88%
2123.2	Company Communications Equipment	43.80%
2124	General Purpose Computer	25.81%
2212	Digital Switching Equipment	62.14%
2220	Operator Systems	30.99%
2231	Radio Systems	27.60%
2232	Circuit DDS	37.10%
2232	Circuit Digital	55.05%
2232	Circuit Analog	23.34%
2362	Other Terminal Equipment	58.10%
2411	Pole Lines	63.94%
2421	Aerial Cable - Metallic	37.95%
2421	Aerial Cable - Non Metallic	76.85%
2422	Underground Cable - Metallic	34.18%
2422	Underground Cable - Non Metallic	75.32%
2423	Buried Cable - Metallic	47.94%
2423	Buried Cable - Non Metallic	66.75%
2424	Submarine Cable - Metallic	2.26%
2424	Submarine Cable - Non Metallic	0.00%
2426	Intrabuilding Cable - Metallic	26.78%
2426	Intrabuilding Cable - Non Metallic	75.78%
2431	Aerial Wire	62.60%
2441	Conduit Systems	56.33%

**IMPACT OF REMOVING INVESTMENT WHICH SHOULD
HAVE BEEN COVERED BY BSI CONSTRUCTION CHARGES
RELATED TO BSI REQUESTED FACILITIES**

**Total Impact on Rate Base
"Video-Only" USAMS
Installed after 3/2/99**

Intrastate Plant in Service	Intrastate Accumulated Reserve	Net Intrastate Plant in Service
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USAM Equipment
Average Investment
per Sample Site

Total Number
of "video-only"
USAM Sites
installed post 3/2/99

**Total Impact
on USAM
Investment**

Fiber Cable
Average Investment
per Sample Site

Total Number
of "video-only"
USAM Sites
installed post 3/2/99

**Total Impact
on Fiber Cable
Investment**

Copper Cable
Average Investment
per Sample Site

Total Number
of "video-only"
USAM Sites
installed post 3/2/99

**Total Impact
on Copper Cable
Investment**

**Overall Impact on
Intrastate Rate Base**

Source:

**IMPACT OF REMOVING INVESTMENT WHICH SHOULD
HAVE BEEN COVERED BY BSI CONSTRUCTION CHARGES
RELATED TO BSI REQUESTED FACILITIES**

**Total Impact on Depreciation Expense
"Video-Only" USAMS
Installed after 3/2/99**

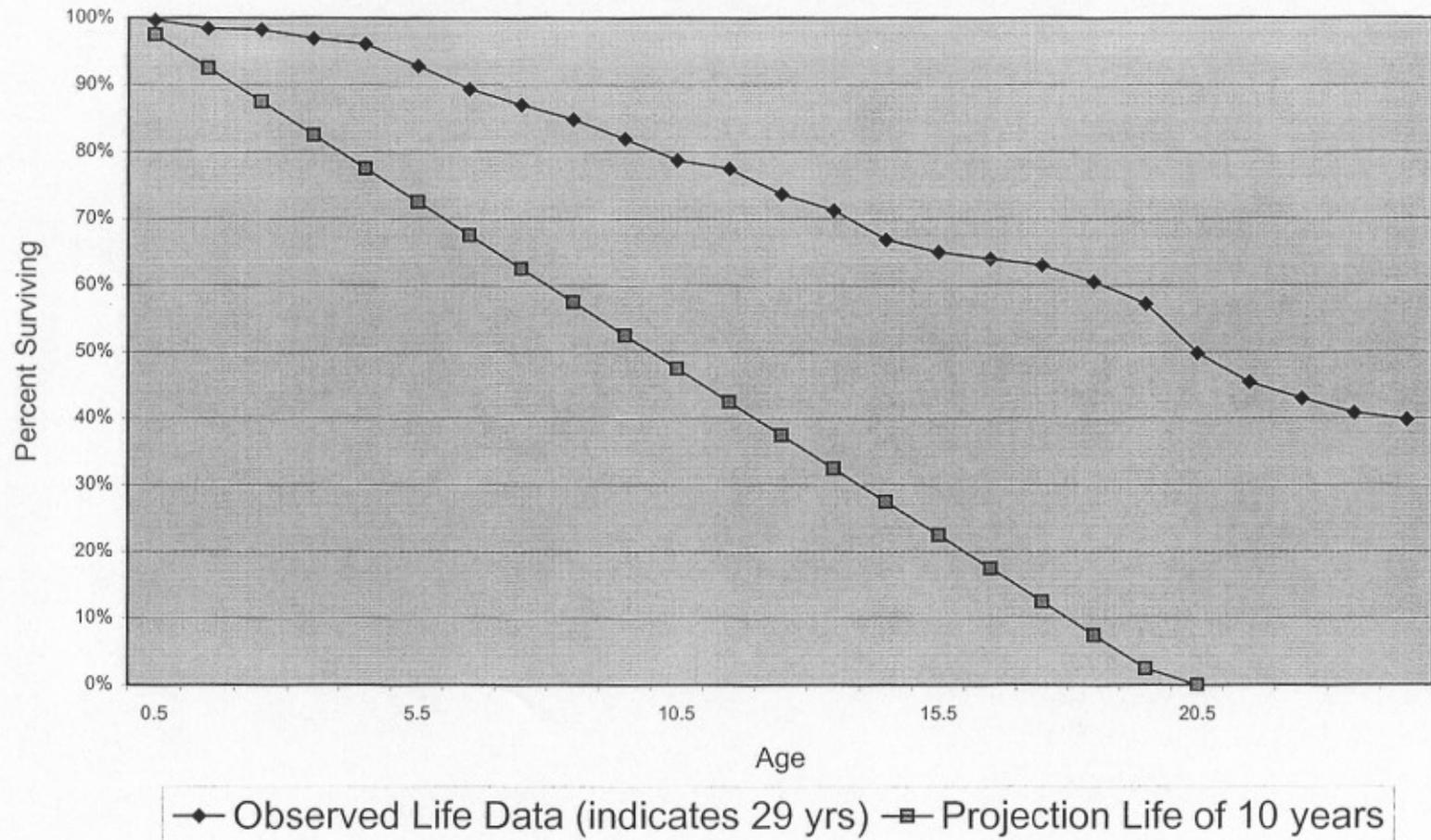
<u>Average Intrastate Depreciation Expense per Sample</u>	<u>Total Number of "video-only" post 3/2/99 USAM Sites</u>	<u>Total Intrastate Depreciation Expense</u>
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Circuit Equipment
Underground Cable - Copper
Underground Cable - Fiber
Buried Cable - Copper
Buried Cable - Fiber

**Overall Impact on
Intrastate Depreciation Expense**

Source:
Qwest Confidential response to WDA 17-8
Qwest Confidential response to WDA 14-1
Qwest Confidential response to WDA 4-32

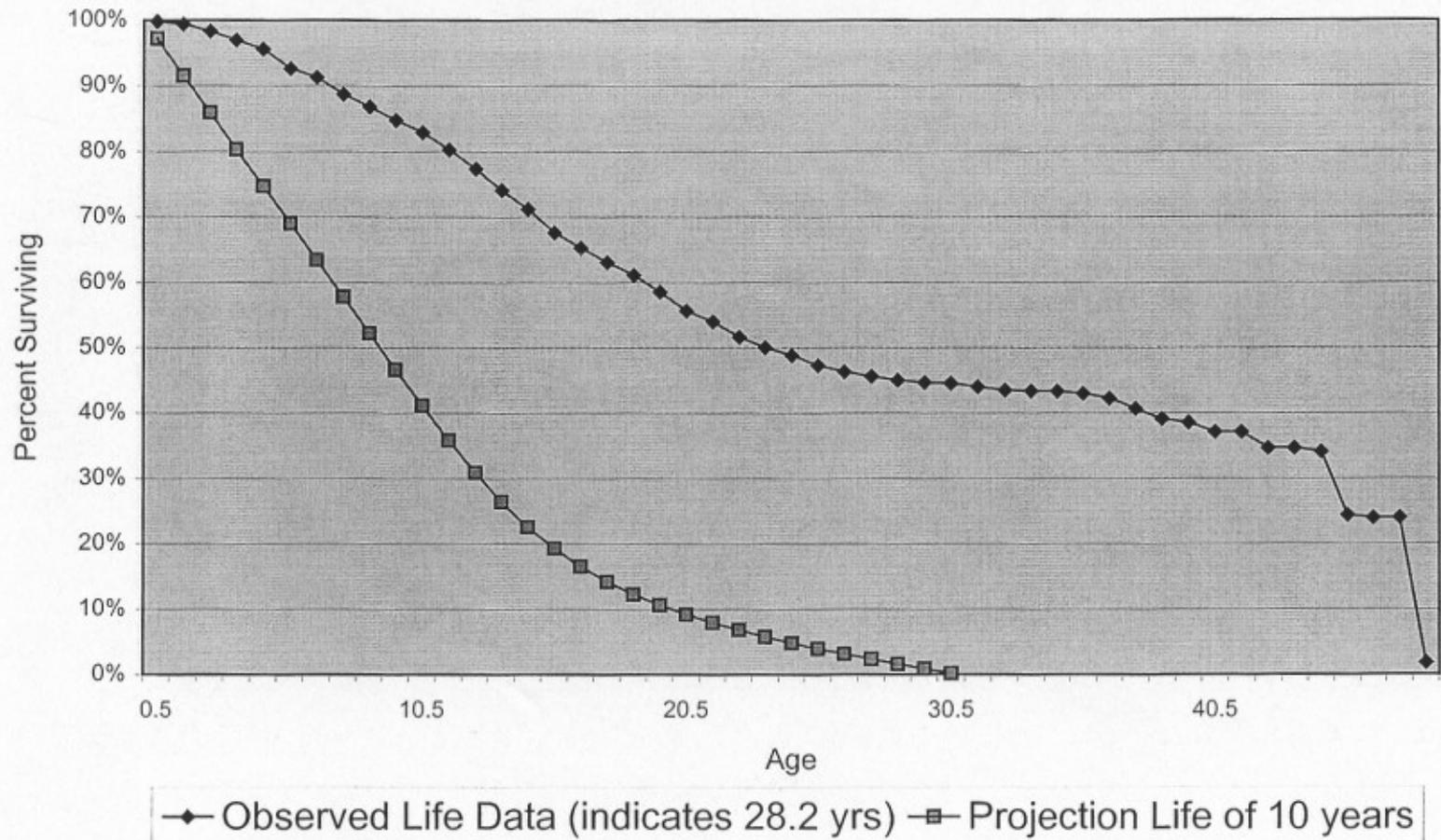
Graph of Recent Observed Life Data and Qwest Projection Life
Account 2212 - Digital Switching Equipment



Source:

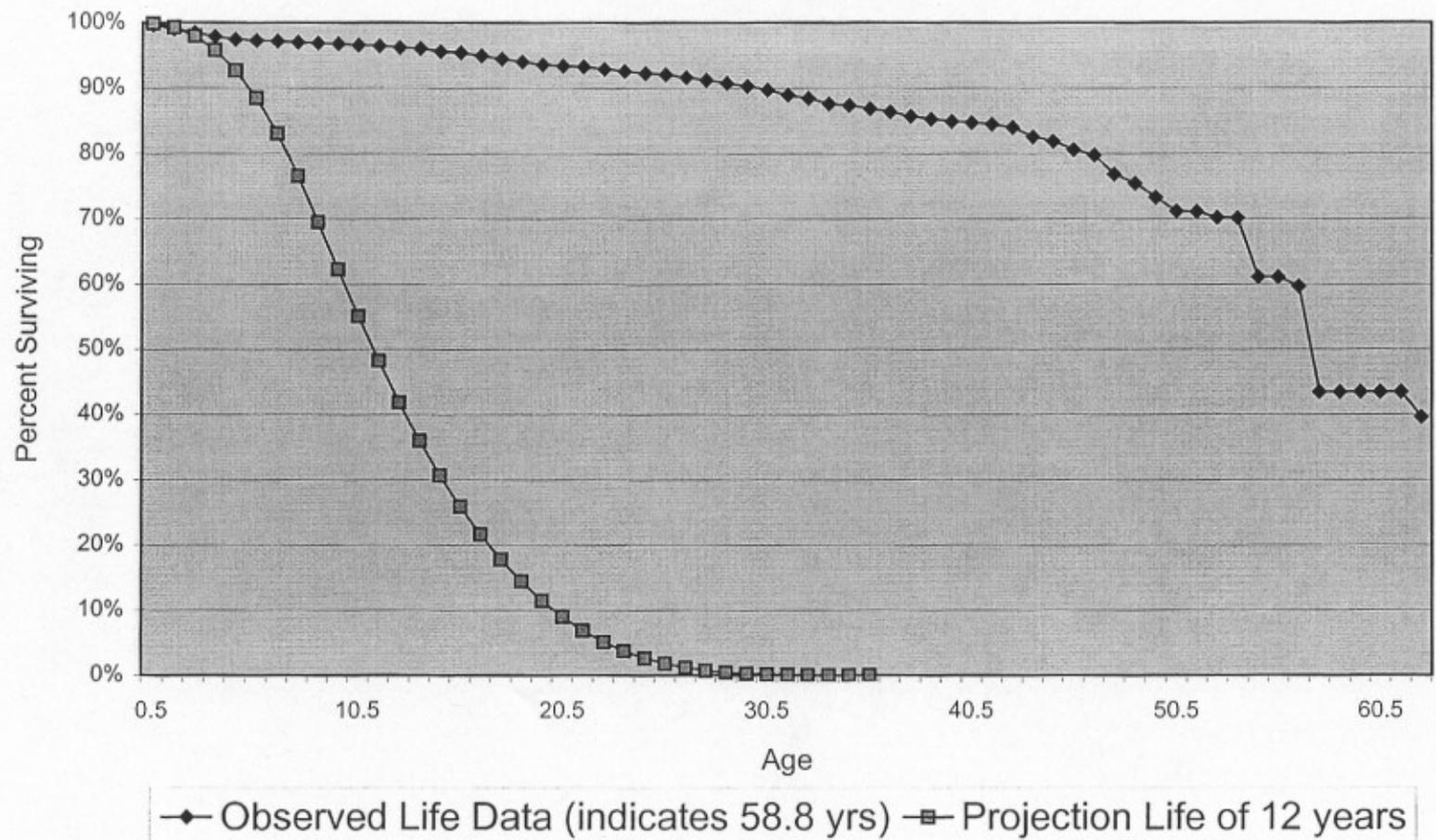
Observed Life from Qwest Responses to WDA 02-06 and WDA 04-02. (2001 - 2003 Band).
Projection Curve using Qwest's projection life of 10 years and O1.0 Iowa Curve

Graph of Recent Observed Life Data and Qwest Projection Life
Account 2232 - Circuit Digital Equipment



Source:
Observed Life from Qwest Responses to WDA 02-06 and WDA 04-02. (2001 - 2003 Band).
Projection Curve using Qwest's projection life of 10 years and O2.0 Iowa Curve

Graph of Recent Observed Life Data and Qwest Projection Life
Account 2423 - Buried Cable - Metallic



Source:

Observed Life from Qwest Responses to WDA 02-06 and WDA 04-02. (2001 - 2003 Band).
Projection Curve using Qwest's projection life of 12 years and L1.5 Iowa Curve