

**Exhibit No. \_\_\_ C (PMS-4C)  
Docket No. UT-061625  
Witness: Paula M. Strain  
REDACTED VERSION**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**In the Matter of the Petition of**

**DOCKET NO. UT-061625**

**QWEST CORPORATION**

**To be Regulated Under an Alternative  
Form of Regulation Pursuant to RCW  
80.36.135**

**EXHIBIT TO  
TESTIMONY OF**

**PAULA M. STRAIN**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**RE: Qwest Adjusted Results of Operations as of 12/31/05**

**January 29, 2007**

**REDACTED PER PROTECTIVE ORDERS IN DOCKET UT-061625**

REDACTED VERSION

**QWEST CORPORATION**  
**Docket No. UT-061625**  
**Request To be Regulated Under an Alternative Form of Regulation Pursuant to RCW 80.36.135**

12 Months Results of Operations Ending 12-2005

With Staff-Calculated Adjustments

ACCOUNT DESCRIPTION (a)	Calculated by Staff					Adjusted Intrastate Operations (i)	
	Total State Operations (MR) (b)	Intrastate Operations (MR) (c)	Annual Intrastate Rate Case Adjustments (d)	IFR revenue increase 1/ (e)	Remove Interstate Special Access (f)		DSL Removal (g)
<b>REVENUES</b>							
1 LOCAL SERVICE							
2 ACCESS SERVICE							
3 LONG DISTANCE SERVICE							
4 MISCELLANEOUS							
5 TOTAL REVENUE							
<b>EXPENSES</b>							
<b>COSTS OF SERVICES AND PRODUCTS</b>							
6 MAINTENANCE							
7 ENGINEERING							
8 NETWORK OPERATIONS							
9 NETWORK ADMINISTRATION							
10 ACCESS							
11 OTHER							
12 TOTAL COST OF SERV AND PRODS							
<b>SELLING, GENERAL &amp; ADMINISTRATIVE</b>							
13 CUSTOMER OPERATIONS							
14 CORPORATE OPERATIONS							
15 PROPERTY AND OTH OPERAT TAXES							
16 UNCOLLECTIBLES							
17 TOTAL SELL, GEN AND ADMINIST							
18 OTHER OPR INCOME & EXPENSE							
19 DEPRECIATION AND AMORTIZATION							
20 TOTAL OPERATING EXPENSES (L12+L17+L18+L19)							
21 INCOME FROM OPRS BEFORE TAXES (L5 - L20)							
<b>INCOME TAXES</b>							
22 FEDERAL							
23 STATE AND LOCAL							
24 NET OPERATING INCOME (L21-L22-L23)							
25 INTEREST EXPENSE							
<b>RETURN</b>							
26 RETURN ON NET RATE BASE (L24/L42)							
<b>RATE BASE</b>							
27 AVG PLANT IN SVC							
28 AVG PLT UND CONST SHORT							
29 AVG PLT UND CONST LONG							
30 AVG PLANT UNDER CONSTRUCTION (L28 + L29)							
31 AVG PROP HELD FOR FUT USE							
32 AVG PLT ADJ							
33 AVG MATERIALS & SUPPLIES							
34 AVG ACCUM DEP							
35 AVG ACCUM AMORT							
36 AVG ACCUMULATED DEP & AMORT							
37 ACCUM DEFERRED TAX RESERVE							
38 OTHER COMMISSION ADJUSTMENTS:							
39 AVG PENSION ASSET							
40 AVG INVESTOR SUPPLIED WORKING CAPITAL							
41 EOP UNFUNDED SFAS 106 DEDUCTION							
42 NET RATE BASE (L27+L30+L31+L32+L33+L36+L37+L39+L40+L41)							

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**QWEST CORPORATION**  
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**Staff Adjustment to Identify Non-jurisdictional Special Access Investment and Costs**

(Thousands of Dollars)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1							
2							
3	Account 2410, Cable and Wire Facilities, Subject to Allocation						Avg lines 59&60 (page 2)
4							
5	Percentage of Lines Providing Intrastate Service						Page 2, Line 53 col e
6							Line 3 x Line 5
7	Cable & Wire Plant Supporting Intrastate Service						Line 61 col c (page 2)
8	Less Average of Intrastate Cable & Wire Plant per Part 36						
9							
10							
11	Staff Adjustment to Company Intrastate Cable & Wire Plant, Account 2410						Line 7 less line 9
12							
13	Accumulated Depreciation per 12-2005 report						
14	Accumulated Depreciation as % of total plant per 12-2005 report						line 12 x line 15
15	Staff Adjustment to Company Accumulated Depreciation						Line 16 x Line 18 col (c)
16							
17	Adjustment to Company Deferred Tax (35%)			35.00%			Line 12 x Line 20 col (c)
18							
19	Depreciation Expense Adjustment, using Composite Cable & Wire Depreciation Rate of						
20	Derived from ARMIS 43-04 2005 Rows 6070 and 1530			5.75%			
21							
22							
23							
24	<b>2005 Cable &amp; Wire Expenses -Qwest 43-04 Table 1</b>			113,805,000			Qwest 43-04 Table 1
25	Percentage of Expenses Supporting Intrastate Services						Line 5
26	2005 Cable & Wire Expenses Supporting Intrastate Services						Line 24 x Line 25
27	Booked Intrastate 2005 Cable & Wire Expenses			83,189,000			2005 ARMIS 43-04 Row 5076
28	Staff Adjustment to Remove Cable & Wire Expenses not supporting						
29	Intrastate Services						Line 26 less Line 27
30							
31							
32							

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**Staff Adjustment to Identify Non-jurisdictional Special Access Investment and Costs**

(Thousands of Dollars)

(a)	(b)	(c)	(d)	(e)	(f)	(g)
	No. Lines	Interstate %	No. Lines	Intrastate %	Total	source/ref
33	Special Access:					
34	Dec-05					Resp to Staff DR #27
35	Dec-04					Resp to Staff DR #27
36	Private Lines					
37	Dec-05					Resp to Staff DR #27
38	Dec-04					Resp to Staff DR #27
39	Total - Special & Private					
40	Dec-05					Resp to Staff DR #27
41	Dec-04					Resp to Staff DR #27
42	Average - Dedicated Lines					
43						
44						
45	Switched Lines					
46	Dec-05					Resp to Staff DR #27
47	Dec-04					Resp to Staff DR #27
48	Average - Switched Lines					
49						
50	Access Lines in Service					
51	Dec-05					Resp to Staff DR #27
52	Dec-04					Resp to Staff DR #27
53	Average - All Lines					
54						
55						
56	Investment					
57	In Cable & Wire Facilities, Acct. 2410					
58						
59	Total per Part 36					
60	Dec-05					2005 ARMIS 4304 Row 1530
61	Dec-04					2005 ARMIS 4304 Row 1530
	Average					Average lines 59 & 60

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**Staff Adjustment to Identify Non-jurisdictional DSL Investment and Costs**

1 DSL Lines as of December 2005 [REDACTED] plus PC-7b, Attachment A [REDACTED]  
 2 Cost per loop [REDACTED]  
 3 Estimated DSL Line Investment [REDACTED] Average Cost per loop, 2005 (Ex PMS-4C, page 3, Line 537 / Line 507)  
 Line 1 x Line 2

4 Per FCC ARMIS Report 4304:

5 Category 1 Plant:	(a)	(b)
6 Direct Assigned Intrastate		\$ 57,473,000
7 (Category 1.1) Interstate		\$ 29,760,000
8 Joint Use Intrastate		\$ 1,703,423,000
9 (Category 1.2) Interstate		\$ 567,808,000
10 Total		\$ 2,358,464,000

ARMIS Report 4304, line 1454  
 ARMIS Report 4304, line 1454  
 ARMIS Report 4304, line 1455  
 ARMIS Report 4304, line 1455  
 Lines 6 through 9

11 DSL Investments not directly assigned to Interstate [REDACTED] Line 3 less Line 7  
 12 Proportion of plant included in intrastate categories [REDACTED] (Line 6 + Line 8) divided by Line 10

DSL Investment to be removed from intrastate:

13 Plant in Service	[REDACTED]	Line 11 times Line 12
14 Accumulated Depreciation	[REDACTED]	Line 13b x Line 14a
15 Deferred Tax	35.00%	Ratio of Accum. Deprec to Plant
16 Depreciation Expense	5.75%	Line 13b x Line 15a
17 Cable & Wire Expense	[REDACTED]	Line 13b x Line 16a
		Ratio of depreciation expense to plant per FCC form 4304
		Line 13b x Line 17a
		Ratio of Cable & Wire expense to Plant (Ex PMS-4, page 2)

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**Staff Adjustment to Estimate Possible Additional Revenues from TRRO Decision**

	Qwest Retail Rate	Qwest UNE Rate	Difference	Monthly Demand	Annual Maximum Revenue Increase
<b>Intrastate Special Access Lines</b>					
DS1 per High Capacity Access Line	\$150.00	\$68.86	\$81.14		
DS3 per High Capacity Access Line	\$1,282.50	\$599.81	\$682.69		
DS1 per High Capacity Service per month	\$73.86	\$33.12	\$40.74		
DS1 per High Capacity Service per mile	\$2.86	\$0.65	\$2.21		
DS3 per High Capacity Service per month	\$590.99	\$225.41	\$365.58		
DS3 per High Capacity Service per mile	\$51.26	\$11.55	\$39.71		
Dark Fiber Transport per mile	\$400.00	\$53.14	\$346.86		
Dark Fiber Termination	\$6.16	\$5.16	\$1.00		
<b>Total</b>					

Sources: Supplemental Qwest Response to Staff Data Request No. 34