

Qwest's Building Sale Ratepayer Sharing Commitments

Background

After extensive discussions with Staff, Public Counsel, and the Department of Defense and Other Federal Executive Agencies regarding the transfer and sale of its building located at 1600, 7th Avenue, Seattle, Washington, Qwest agrees to share some of the proceeds from the transaction with ratepayers to satisfy the public interest. The amount of proceeds subject to sharing is \$12,970,000 ("shared proceeds"). This amount has been calculated (See Confidential Attachment B) in a manner that is consistent with how the gain on sale was treated for the sale of the Centralia Power Plant, Docket No. UE-991255 et al. Qwest will return the shared proceeds to ratepayers through a combination of \$12,770,000 in investment commitments and a \$200,000 monetary contribution to Community Voicemail.¹ The investment commitments are divided between the following investment projects:

- Fiber-to-the-node ("FTTN") deployments to 129 sites in select communities to facilitate higher speed internet capability (12 and 20 mbps). The total number of living units that will benefit from such deployments is estimated to be 54,236. The estimated cost of the deployments is \$10,320,000.
- Rural DSL Expansion deployments to 42 sites in rural wire centers to facilitate broadband internet capability. The total number of living units that will benefit from such deployments is estimated to be 10,035. The estimated cost of the deployments is \$2,450,000.

FTTN Deployment Plan

To make higher speed broadband services available to certain selected communities, Qwest will invest in the deployment of fiber optic cable and equipment, remote terminal augmentation, and switch augmentation. This plan includes cost if a component of Qwest's network must be created or reinforced to upgrade broadband service in a specified community. If a component of Qwest's network has available capacity and that capacity can be employed as broadband service infrastructure, then no cost will be included in the plan for use of that component. The availability of capacity varies with time and customer demand and consequently, estimated costs are subject to change.

Qwest agrees to commit \$10,320,000 to facilitate the deployment of its higher speed broadband services to certain selected communities. Qwest's build site selection for the plan was generally based on location (i.e., more rural in nature) and cost effectiveness (i.e., achieving the maximum living unit coverage for the least cost). Upon Commission approval, Qwest will begin construction in 2008 to deploy service in the following exchanges as presented in the table below:

¹ Qwest will make the \$200,000 contribution to Community Voicemail within 1 month after the closing of the sale transaction.

Wire Center	Routes	Build Sites	Total Living Units	Estimated Investment
Bellingham	BLHMWA011	22	7,780	\$3,760,000
	BLHMWA012	9	3,734	
	BLHMWA014	3	1,815	
	BLHMWA015	13	4,698	
Bonney Lake	BYLKWA013	12	4,556	\$960,000
Bremerton	BMTNWA011	16	6,973	\$1,280,000
Graham	GRHNWAGR1	12	5,370	\$2,320,000
	GRHNWAGR2	9	3,769	
	GRHNWAGR4	8	3,785	
Longview	LVGWWA023	3	2,303	\$240,000
Ridgefield	RDFDWA011	1	467	\$80,000
Silverdale	SLDLWASI1	4	1,523	\$320,000
Spokane	SPKNWAF3	4	1,932	\$320,000
Sumner	SMNRWA013	1	330	\$320,000
	SMNRWA015	3	1,147	
Tacoma / Fort Lewis	TACMWAFL4	9	4,054	\$720,000
		129	54,236	\$10,320,000

FTTN deployment planning and implementation will begin after sale closing and will continue in these exchanges for the following three years. Qwest will document its deployment and expenses in periodic reports that it files. When Qwest has completed deployment as proposed in the table above, Qwest estimates that \$10,320,000 will have been invested and its obligation will have been satisfied.

When all of the above projects are completed, if actual deployment cost is lower than estimated here, Qwest will expand the list of deployment projects as needed to comply with the overall \$10,320,000 commitment and Qwest will notify the Commission at that time. If Qwest expends more than \$10,320,000 prior to having deployed all of the listed sites, Qwest will inform the Commission that its obligation has been met.

Rural DSL Expansion Deployment Plan

To make broadband service available to certain currently un-served areas in its rural wire centers, Qwest will invest in DSLAMs (DSL Access Modules – both remote from

Qwest central offices and within central office buildings), fiber optic cable and equipment (between pairs of Qwest central office buildings, as well as between central office buildings and remote DSLAMs), power plant and Asynchronous Transfer Mode Switch augmentation.

This plan includes cost if a component of Qwest's network must be created or reinforced to make broadband service available in a specified community. If a component of Qwest's network has available capacity and that capacity can be employed as broadband service infrastructure, then no cost will be included in the plan for use of that component. The availability of capacity varies with time and customer demand and consequently, estimated costs are subject to change.

Qwest agrees to commit \$2,450,000 to facilitate the deployment of its broadband service in previously un-served areas in its rural wire centers. Qwest's wire center selection for the plan was generally based on location (i.e., more rural in nature) and cost effectiveness (i.e., achieving the maximum service coverage for the least cost). Upon Commission approval, Qwest will begin construction in 2008 to deploy service in the following exchanges as presented here:

Wire Center / Community	Central Office DSLAM	Remote Terminal DSLAM	Total Living Units	Estimated Investment
Castle Rock	0	2	287	\$100,000
Cle Elum	0	2	503	\$100,000
Cloverdale	0	5	792	\$250,000
Deer Park	0	2	520	\$100,000
Elk	1	1	319	\$250,000
Green Bluff	1	4	997	\$400,000
Joyce	0	1	132	\$50,000
Hoodspport	0	2	538	\$100,000
Loon Lake	0	2	802	\$100,000
Moses Lake	0	4	793	\$200,000
Northport	0	2	278	\$100,000
Ocean Shores	0	3	1,072	\$150,000
Omak	0	3	986	\$150,000
Oroville	0	1	103	\$50,000
Othello	0	1	313	\$50,000
Rochester	0	1	548	\$50,000
Shelton	0	2	735	\$100,000
Walla Walla	0	1	148	\$50,000
Warden	0	1	104	\$50,000
Winlock	0	1	197	\$50,000
	2	41	10,167	\$2,450,000

DSL Expansion deployment planning and implementation will begin after sale closing and will continue in these exchanges for the following three years. Qwest will document its deployment and expenses in periodic reports that it files. When Qwest has completed deployment as proposed in the table above, Qwest estimates that \$2,450,000 will have been invested and its obligation will have been satisfied.

When all of the above projects are completed, if actual deployment cost is lower than estimated here, then Qwest will expand the list of rural deployment projects as needed to comply with the overall \$2,450,000 commitment and Qwest will notify the Commission at that time. If Qwest expends more than \$2,450,000 prior to having deployed all of the listed sites, then Qwest will inform the Commission that its obligation has been met.

Reporting Commitment

Qwest agrees to provide, for the three year period set forth in this application, reports which document progress toward meeting the deployments specified above. For the first year, Qwest will report on a quarterly basis, after which the parties will evaluate whether annual reporting will suffice for the final two years of deployments. These reports will identify the deployments that have been completed in the preceding reporting period and the amount of money spent on each project. If circumstances are encountered that may jeopardize the completion of a build in the case of FTTN's expansion, or a location in the case of DSL's expansion, Qwest will shall notify the parties in a timely fashion and all parties shall meet to determine how to proceed in order to fulfill the objectives of the agreement.