

EXHIBIT

Staff Analysis

of Qwest's "Washington Impact Response 3" of August 7, 2007

Qwest provided Staff a summary of the financial impacts of all the changes proposed in Qwest's Petition Exhibit 1 (Stipulation). After reviewing Qwest's informal data response "Washington Impact Response 3," submitted August 7, 2007, Staff prepared Table 1.¹ Staff provides the following discussion of the three most significant QPAP changes.

The One Allowable Miss for Benchmark and Non-interval Parity Measures proposal² reduces Qwest's payment liability by 19% for Tier 1 and 2% for Tier 2. It allows Qwest to avoid a payment if 100% performance would be required to meet its benchmark, or if 100% performance would be required to meet non-interval parity performance sub-measures when CLEC aggregate results do meet the standard. (See UT-073034 Qwest Petition Exhibit 2 ¶ 2.4 and 4.2)

The Modify Minimum Payment Provisions proposal³ reduces Qwest's payment liability by 23% for Tier 1 payments to CLECs. It replaces the \$2,000 minimum payment for each month in which at least one payment was made by Qwest that is currently in the QPAP with a tiered minimum payment approach that varies from \$0 to \$2,500 based on the actual amount paid by Qwest to CLECs. The payments in both cases are only made to CLECs with annual order volumes of no more than 1,200. (See UT-073034 Qwest Petition Exhibit 2 ¶ 6.4)

The Modify Tier 2 Payment Provisions proposal⁴ reduces Qwest's payment liability by 56% for Tier 2 payments to the commission. Even if we assume that the removal of DSL, per the FCC's order,⁵ had a cumulative effect on this provision, Qwest's payment liability would still be reduced by 55%. The proposal replaces the current requirement to make payments

¹ Qwest provided the information in columns 2 through 7. Staff computed the percentages in column 8 by dividing the dollar amounts in column 6 by the total annual Tier 1 payments to CLECs of \$156,680. Staff computed the percentages in column 9 by dividing the dollar amounts in column 7 by the total annual Tier 2 payments to the Commission of \$173,374. There may be insignificant differences between the annual amount directly related to the data in the informal response from Qwest and the annual amount used in Staff's analysis because the reporting month is two months before the payment month. (That is, the January payment is based on the November report.)

² See UT-073034 Qwest Petition Exhibit 1 ¶ 24, 25.

³ Id. ¶ 26-28.

⁴ Id. ¶ 31, 32.

⁵ Id. Fn. 1.

when Qwest misses its performance standards in one month with a payment only when Qwest misses three consecutive months. (See UT-073034 Qwest Petition Exhibit 2 ¶ 7.1-7.5)

Table 1

*Performance Period July 2006 through June 2007 unless otherwise noted
 **Comparison to total payment percentages not additive – Revision impacts may overlap
 ***Calculated from monthly QPAP payment reports submitted to commission in Docket UT-030388.

1	2	3	4	5	6	7	8	9
Stipulation reference	Revision	Actual Tier 1 payment*	Revised Tier 1 payment*	Revised Tier 2 payment*	Tier 1 change	Tier 2 change	**Comparison to Annual CLEC (Tier 1) payments* \$156,680***	**Comparison to Annual UTC (Tier 2) payments* \$173,374***
Par. 7	Remove resale DSL per FCC	\$6,113	0	0	-\$6,113	-\$2,100	-4%	-1%
Par. 7	Change DSL parity	\$2,503	Unknown		Unknown	Not applicable	+/-2%	Not applicable
Par. 19	Reinstatement/removal				-\$1,344	No change	-1%	No change
Par. 22	Exclude TOK & NKF	\$6,203	Reduces	Reduces	Unknown	Unknown		
Par. 22	BI-3A 98% benchmark	\$25,000	\$30,000	Not applicable	+\$5,000	Not applicable	3%	Not applicable
Par. 24	One allowable miss				-\$29,631	-\$4,200	-19%	-2%
Par. 26	Minimum Payments – based on Dec. 2006	\$88,895	\$53,000	Not applicable	-\$35,895	Not applicable	-23%	Not applicable
Par. 29	Remove Low Volume products				-\$5,176	-\$4,200	-3%	-2%
Par. 31	Multiple month trigger	Not applicable	Not applicable	\$48,700	Not applicable	-\$96,800	Not applicable	-56%
Par. 33	Remove escalation cap				No change	No change	No change	No change