



Executive Summary

WASHINGTON

DS0 LOW SIDE CHANNEL PERFORMANCE

STUDY ID #7693

ECONOMIC LIVES

9.63% COM

RECURRING COST STUDY

JUNE 2003

DS0 LOW SIDE CHANNELIZATION

WASHINGTON

2003

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A. PURPOSE, SCOPE AND APPLICATION

The purpose of this study is to estimate Qwest's 2003 long-run incremental costs for DS0 Low Side Channelization within the state of Washington.

This study develops statewide average Total Element Long Run Incremental Costs (TELRIC). Costs are specific to the state of Washington and are stated on a per channel basis, unless specified otherwise. *Cost results are based on Economic Lives and 9.63 % Cost of Money (COM).*

B. DESCRIPTION OF SERVICE

DS0 Low Side Channelization provides the transmission facilities between the customer designated premises and the serving wire center, or to the wire center where the CLEC is collocated, or to multiplexing. Voice Grade/DS0 facilities are available for Channel Performance.

This cost study includes the costs for the following components:

The Channel Performance rate category provides the electronic equipment, which is added to the Link to provide the desired level of transmission performance. It modifies the circuit with the basic performance necessary for the circuit function. This channel supports 300 to 3000 Hz. Four signaling options are available. They include Loop Start, Ground Start, Reverse Battery, and No Signaling.

The following are definitions of the Channel Performance services provided by Qwest Communications. The technical parameters of these are the same as those of the identified Voice Grade services (i.e., VG2, VG3 or VG7).

Voice Grade Service Channel Performance

- The Loop Start Signaling is based on Voice Grade 2 (VG2). This is suitable for the access segment of voice line-type switched special service circuits such as Foreign Exchange (FX) circuits. The service is suitable for the station or closed-end at the End-User only.
- The Ground Start Signaling is based on Voice Grade 3 (VG3). This is suitable for the access segment of voice trunk-type circuits. The service is suitable for the closed-end at the End-User only.
- The Reverse Battery Signaling is based on Voice Grade 3. This is suitable for the access segment of voice trunk-type circuits.
- The No Signaling is based on Voice Grade 7. This is suitable for the access segment of "permissive data" type of private line services.

C. STUDY METHODOLOGY

Channel Performance - Channel Performance investments are calculated using a Microsoft Excel® spreadsheet. The Channel Performance spreadsheet estimates the forward-looking installed investment associated with DS0 circuits between a Serving Wire Center and the wire center where the CLEC is collocated.

The TELRIC Windows Personal Computer Cost Calculator (Wholesale Cost Program) was used to convert installed investments to monthly costs by applying appropriate investment and expense factors to the installed investment.

D. TOTAL ELEMENT LONG RUN INCREMENTAL COST

Qwest performs Total Element Long Run Incremental Cost (TELRIC) studies to estimate the economic cost of providing network elements. The Qwest TELRIC studies identify the forward-looking costs associated with the provision of the total quantity of a network element in the long run. The *forward-looking* Qwest TELRIC studies identify the costs that are likely to be incurred in the future, and consider the latest forward-looking technologies and methods of operation that are currently available. These studies are *not* embedded or historical, and do not measure the impact of prior investment decisions by the corporation. The Qwest TELRIC studies also identify the *long run* costs associated with providing a network element—reflecting a time period over which all inputs (including changes in the size of facilities, levels of investment, etc.) can be adjusted.

The Qwest cost study format disaggregates the cost results, on a unitized basis, into the following components:

Direct Network Costs are direct product group costs. They include network related investment based costs, Network Operations and Other Operating Taxes. Investment Based Costs are associated with recurring cost elements and include the capital costs (e.g., depreciation, return, and taxes) and maintenance costs associated with the investment required for provisioning a network element. Network operations include power, plant operations, testing, network administration, and engineering costs, which are calculated on a per line basis for loop elements. Network operations costs vary with the provision of all network elements, and are not common to the entire firm. Other Operating Taxes consists of Account 7240, which includes among others property taxes.

Element-Specific Expenses are direct costs. Element-specific Expenses are other product related costs such as billing and for non-recurring costs, the labor-related expenses associated with the provision of a network element.

Marketing are direct product group costs. Marketing costs include product management and sales expenses that Qwest's accounting records typically allow tracking down to a particular product or service group.

Support Assets and Uncollectibles are not directly associated with a specific network element. However, these costs vary with the provision of all network elements, and are not common to the entire firm. Support Assets are comprised of the investment related costs and maintenance expenses associated with the Network Support Assets, General Support Assets, and General Purpose Computers. Uncollectibles are uncollectible revenues associated with wholesale UNE/Resale revenues.

Total Element Long Run Incremental Costs (TELRIC) represent the sum of all direct and directly assigned / allocated costs (e.g., Direct Network Costs and Element-Specific Expenses, Marketing, Support Assets and Uncollectibles). This measure of costs includes the forward-looking costs incurred in the provision of a network element. This measure of costs is consistent with TELRIC as defined by the FCC.

Common Costs are associated with the enterprise as a whole. These costs do vary based on the total size of the firm, but may not vary with the provisioning of individual network elements. These costs are avoidable only with the elimination of the entire firm, and are sometimes referred to as *general overhead costs*.

Fully Allocated Costs represent the sum of Total Element Long Run Incremental Cost plus Common Costs (TELRIC + CC).

E. STUDY ASSUMPTIONS

- 1) All network investments are forward-looking:
- 2) All costs displayed are a 2003 level.
- 3) Cost results are based on **Economic** Lives and **9.63** % COM.