ORIGINAL

OPEN MEETING AGENDA ITEM

0000108804

50

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman
WILLIAM MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN MAYES
Commissioner

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AZ CORP COMMISSION
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IN THE MATTER OF QWEST CORPORATION'S FILING AMENDED RENEWED PRICE REGULATION PLAN.	DOCKET NO. T-01051B-03-0454
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS.	DOCKET NO. T-00000D-00-0672

Arizona Corporation Commission
DOCKETED
MAY 20 2004
DOCKETED BY

QWEST CORPORATION'S NOTICE OF FILING DIRECT TESTIMONY FOR MODIFICATION OF PRICE CAP PLAN, REQUEST FOR DEREGULATION OF SERVICES, AND REQUEST FOR ARIZONA UNIVERSAL SERVICE FUNDING

Qwest Corporation ("Qwest") hereby submits its A.A.C. R14-2-103 filing as required under Decision No. 66772, and its proposed revise Price Cap Plan, Qwest also submits the pre-filed, direct testimony of the following: Peter C. Cummings, Philip E. Grate, Nancy Heller-Hughes, Teresa K. Million, Scott A. McIntyre, Harry M. Shooshan III, David L. Teitzel, Kerry Dennis Wu, and David Ziegler. Qwest requests that the Commission modify the existing Price Cap Plan at issue in this docket consistent with the Price Cap Plan filed herewith. Qwest further requests that the Commission deregulate Qwest billing and collection services and voice messaging services because those services are not essential and integral to Qwest's provision of public telephone service in

Direct Testimony for

T-01051B-03-0454 and
T-00000D-00-0672

PART 1 OF 2
BAR CODE # 0000108804

To review Part 2 please see:

BAR CODE #0000108805

Arizona. Finally, Qwest requests that the Commission order Qwest to receive funding from the Arizona Universal Service Fund for the reasons and in the manner set forth in this testimony.

RESPECTFULLY SUBMITTED this ___day of May, 2004.

FENNEMORE CRAIG

By: _____

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Archtel, Inc.
1800 West Park Drive, Ste. 250
Westborough, MA 01581

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201 Spear Street, 9th Floor
San Francisco, CA 94105

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Monroe, LA 71211-4065

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Citizens Communications Co. of Arizona
4 Trial Center, Suite 200
Salt Lake City, UT 84180

Citizens Telecommunications Co. of the White Mountains, Inc.
4 Triad Center, Ste. 200
Salt Lake City, UT 84180

Comm South Companies, Inc.
2909 N. Buckner Blvd., Ste. 200
Dallas, TX 75228

Copper Valley Telephone, Inc.
PO Box 970
Willcox, AZ 85644

Electric Lightwave, Inc.
4 Triad Center, Ste. 200
Salt Lake City, UT 84180

Eschelon Telecom of Arizona, Inc.
730 Second Avenue South, Ste.1200
Minneapolis, MN 55402

Ernest Communications, Inc.
6475 Jimmy Carter Blvd., Ste. 300
Norcross, GA 30071

Global Crossing Local Services, Inc.
180 South Clinton
Rochester, NY 14646

Global Crossing Telemanagement, Inc.
180 South Clinton
Rochester, NY 14646

Global Crossing Telecommunications, Inc.
180 South Clinton
Rochester, NY 14646

Intermedia Communications, Inc.
3608 Queen Palm Drive
Tampa, FL 33619-1311

Level 3 Communications, LLC
1025 Eldorado Blvd.
Broomfield, CO 80021

Max-Tel Communications, Inc.
105 N. Wickham
PO Box 280
Alvord, TX 76225

MCI WorldCom Communications
201 Spear Street, 9th Floor
San Francisco, CA 94105

MCIMetro
201 Spear Street, 9th Floor
San Francisco, CA 94105

Metropolitan Fiber Systems of Arizona, Inc.
201 Spear Street, 9th Floor
San Francisco, CA 94105

Midvale Telephone Exchange
PO Box 7
Midvale, ID 83645

Navajo Communications Co., Inc.
4 Triad Center, Suite 200
Salt Lake City, UT 84180

Nextlink Long Distance Svcs.
3930 E. Watkins, Ste. 200
Phoenix, AZ 85034

North County Communications Corporation
3802 Rosencrans, Ste. 485
San Diego, CA 92110

One Point Communications
Two Conway Park
150 Field Drive,Ste. 300
Lake Forest, IL 60045

Opex Communications, Inc.
500 E. Higgins Rd., Ste. 200
Elk Grove Village, IL 60007

Pac-West Telecomm, Inc.
1776 W. March Lane, #250
Stockton, CA 95207

The Phone Company/Network Services of New Hope
6805 Route 202
New Hope, PA 18938

Rio Virgin Telephone Co.
Rio Virgin Telephone and Cablevision
PO Box 189
Estacada, OR 97023-000

Rhythm Links, Inc.
9100 E. Mineral Circle
Englewood, CO 80112

San Carlos Apache Telecommunications Utility, Inc.
PO Box 701
245 S. Hill
Globe, AZ 85502

South Central Utah Telephone Association, Inc.
PO Box 226
Escalante, UT 84726-000

Southwestern Telephone Co., Inc.
PO Box 5158
Madison, WI 53705-0158

Special Accounts Billing Group
1523 Withorn Lane
Inverness, IL 60067

Sprint Communications Company, L.P.
6860 W. 115th, MS:KSOPKD0105
Overland Park, KS 66211

Touch America
130 N. Main Street
Butte, MT 59701

Table Top Telephone Co, Inc.
600 N. Second Avenue
Ajo, AZ 85321-0000

TCG Phoenix
1875 Lawrence Street, Room 1575
Denver, CO 80202

Valley Telephone Cooperative, Inc.
752 E. Malley Street
PO Box 970
Willcox, AZ 85644

Verizon Select Services Inc.
6665 MacArthur Blvd, HQK02D84
Irving, TX 75039

VYVX, LLC
One Williams Center, MD 29-1
Tulsa, OK 74172

Western CLEC Corporation
3650 131st Avenue SE, Ste. 400
Bellevue, WA 98006

Williams Local Network, Inc.
One Williams Center, MD 29-1
Tulsa, OK 74172

XO Arizona Inc.
3930 Watkins, Ste. 200
Phoenix, AZ 85034

1546808.2/67817.336

ORIGINAL

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103 Compliance Workbook

Test Year Ending December 31, 2003

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QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission
Arizona Regulation R14-2-103

Schedule A-1

Title: Computation of Increase in Gross Revenue Requirements

Date: May 18, 2004

	A	B
	Test Year Ending December 31, 2003	
	Original Cost	Fair Value
1 Adjusted Rate Base (a)	1,663,005	2,297,164
2 Adjusted Net Operating Income (b)	(5,054)	(5,054)
3 Current Rate of Return (L.2/L.1)	-0.30%	-0.22%
4 Required Operating Income (L.1*L5)	185,924	256,823
5 Required Rate of Return (c)	11.18%	11.18%
6 Operating Income Deficiency (L.4-L.2)	190,978	261,877
7 Gross Revenue Conversion Factor (d)	1.6876	1.6876
8 Increase in Gross Revenue Requirements (L.6*L7)	322,299	441,950
9 Surcharge		$ -
10 Total Increase in Revenue Requirement (L8+L9)	$322,299	$441,950
Customer Classification	Projected Revenue Increase due to Rates	Percent Increase
11 Access Services	46	0.09%
12 Private Line Transport Services Tariff	748	2.29%
13 Competitive Exchange & Network Svcs Tariff	9,807	4.98%
14 Advanced Communications Services		0.00%
15 Exchange & Network Services Tariff	(3,283)	-0.51%
16 Exchange & Network Services Catalog		0.00%
17 Total Gross Revenues (Lines 11-16)	7,318	0.00%

Supporting Schedules:
(a) B-1
(b) C-1
(c) D-1
(d) C-3, L9
(e) H-1

Recap Schedules:
None

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Regulation R14-2-103

Schedule A-2, Page 1
Title: Summary Results of Operations
Date May 18, 2004

	A	B	C	D	E	F
	Prior Years				Projected Year Ended Dec 31 2005	
Description	Dec 31 2001	Dec 31 2002	Dec 31 2003	Pro Forma Adjusted	Present Rates	Proposed Rates
1 Gross Revenues	1,339,741	1,213,826	1,102,984	1,111,068	1,068,155	1,075,474
2 Uncollectible Revenue, Operating Expenses and Taxes	1,285,680	1,208,420	1,164,994	1,116,122	1,100,347	1,100,347
3 Operating Income (L.1-2)	54,061	5,406	(62,010)	(5,054)	(32,192)	(24,874)
4 Other Income and Deductions	34,990	130,536	57,858	58,063	58,063	58,063
5 Interest Expense	58,582	65,682	69,901	97,555	97,555	97,555
6 Net Income (L.3+4-5)	($39,511)	($190,812)	($189,770)	($160,672)	($187,810)	($180,492)
7 Earned per Average Common Share	N/A	N/A	N/A	N/A	N/A	N/A
8 Dividends per Common Share	N/A	N/A	N/A	N/A	N/A	N/A
9 Payout ratio	100.00%				N/A	N/A
10 Return on Average Invested Capital	1.14%	-9.33%	-9.09%	-4.79%	-6.84%	-6.29%
11 Return on Year End Capital	0.90%	-6.52%	-7.25%	-3.82%	-5.46%	-5.02%
12 Return on Average Common Equity	-4.65%	-38.78%	-41.68%	-35.29%	-41.25%	-39.64%
13 Return on Year End Common Equity	-4.00%	-24.72%	-46.23%	-39.14%	-45.75%	-43.97%
14 Times Bond Interest Earned (Before Federal Income Taxes)	0.28	(2.03)	(2.69)	(1.34)	(1.61)	(1.53)
15 Times Total Interest Earned (After Income Taxes)	0.33	(1.91)	(1.72)	(0.65)	(0.93)	(0.85)

Supporting Schedules:
(a) E-2
(b) C-1
(c) F-1

Note: (N/A) Not Available

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule A-2, Page 2
Title: Summary Results of Operations

Date: May 18, 2004

Description	A Prior Years Dec 31 2001 (a)	B Dec 31 2002 (a)	C Dec 31 2003 (a)	D Pro Forma Adjusted (b)	E Projected Year Ended Dec 31 2005 Present Rates (c)	F Projected Year Ended Dec 31 2005 Proposed Rates (c)
1 Net Income	(39,511)	(190,812)	(189,770)	(160,731)	(187,810)	(180,492)
2 Income for JDIC (Job Development Investment Credit)	0)	(1)	(2)	(1)		(1)
3 Income for Equity (L.1-2)	($39,511)	($190,811)	($189,768)	($160,730)	($187,810)	($180,491)
4 Regulatory Return on End of Period Equity Base	-4.00%	-24.72%	-46.23%	-39.15%	-45.75%	-43.97%
5 Return on Fair Value of Property Rate Base	N/A	N/A	-2.70%	-0.22%	N/A	N/A

Supporting Schedules:

Note: (N/A) Not Available

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Title: Summary Results of Operations

SCHEDULE A-2 DETAIL (A-2DET)

Date: May 18, 2004

Source: Arizona 1990s

	(A) Dec 31 2001	(B) Dec 31 2002	(C) Dec 31 2003	(D) *Forecast* Dec 31 2005
1 Average Total Capital	1,670,009	1,341,547	1,318,699	1,318,699
2 Average Common Equity	849,631	492,029	455,310	455,310
3 Total Interest	58,582	65,682	69,901	69,901
4 Interest on Debt (A/C 7510 &7520)	50,903	62,819	66,153	66,153
5 Interest on Funded Debt	49,010	61,815	65,936	65,936
6 Amortization of Debt Issuance Expense	1,893	1,004	217	217

Note:
Forecast, Lines 1D through 6D, is equal to actuals from Column C unless otherwise noted.

QWEST CORPORATION
ARIZONA TOTAL STATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule A-3
Title: Summary of Capital Structure
Date: May 18, 2004

	A	B	C	D
	Prior Years		Test Year	Projected
	At	At	At	Year
	Dec 31 2001	Dec 31 2002	Dec 31 2003	Dec 31 2005
Description	(a)	(a)	(a)	
1 Short Term Debt	236,845	195,266	144,202	144,202
2 Long Term Debt	887,448	952,548	1,098,801	1,098,801
3 Total Debt (L.1+2)	1,124,293	1,147,814	1,243,002	1,243,002
4 Common Equity	988,994	771,756	410,503	410,503
5 Unamortized Job Development Investment Tax Credits	16	13	13	11
6 Total Capital (L.3 thru 5)	2,113,302	1,919,583	1,653,518	1,653,516
Capitalization Ratios				
7 Short Term Debt	11.21%	10.17%	8.72%	8.72%
8 Long Term Debt	41.99%	49.62%	66.45%	66.45%
9 Total Debt (L.7+L.8)	53.20%	59.79%	75.17%	75.17%
10 Common Equity	46.80%	40.20%	24.83%	24.83%
11 Unamortized Job Development Investment Tax Credits	0.00%	0.00%	0.00%	0.00%
12 Weighted Cost of Short Term Debt *	4.11%	7.68%	7.24%	7.24%
13 Weighted Cost of Long Term Debt *	7.72%	8.17%	7.89%	7.89%
14 Cost of Equity	14.80%	15.60%	21.40%	21.40%

* Based upon total state capital allocation.
Note: Projected values are solely based on latest year of actual data available.
Supporting Schedules:
D-1

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule A-4
Title: Construction Expenditures and Utility Plant in Service

Date: May 18, 2004

	A	B	C
	Intrastate		
Year	Construction Expenditures (a)	Net Plant Placed in Service	Gross Utility Plant in Service (b)
1 Dec 31 2001	468,306	2,299,092	4,055,277
2 Dec 31 2002	208,630	2,319,610	4,507,926
3 Test Year Ending December 31, 2003	198,587	2,529,992	4,700,836
4 Projected Year Ended Dec 31 2005	198,587	2,498,973	4,790,558

Supporting Schedules:
(a) F-3
(b) E-1 & E-5

Recap Schedules:
None

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule A-5
Title: Summary Statement of Cash Flows

Date: May 18, 2004

	A End of Year At Dec 31 2001	B End of Year At Dec 31 2002	C End of Test Year At Dec 31 2003	D Present Rates Annualized	E Projected Year Proposed Proposed Rates
OPERATING ACTIVITIES					
1. Net Operating Income	54,061	5,406	(62,010)	(90,254)	(82,936)
Adjustments to Net Operating Income:					
2. Depreciation & Amortization	428,691	461,241	463,615	364,079	364,079
3. Deferred Income Taxes	(4,953)	(27,041)	(42,116)	(81,720)	(81,720)
4. Cash provided by Operating Activities (L1.L3)	477,799	439,606	359,489	192,105	199,423
INVESTING ACTIVITIES					
5. Net Construction Expenditures	(468,306)	(208,630)	(198,587)	(198,587)	(198,587)
6. Cash(used for) investing activities (L5)	(468,306)	(208,630)	(198,587)	(198,587)	(198,587)
FINANCING ACTIVITIES					
7. Dividends Paid	39,511	190,812	189,770	187,869	180,551
8. Net Outside Financing	404,771	23,521	95,189	95,189	95,189
9. Interest	(58,582)	(65,682)	(69,901)	(97,555)	(97,555)
10. Net Cash Flow (L4+L6+L7+L8+L9)	395,192	379,627	375,959	179,021	179,021

Supporting Schedules:
(a) E-3
(b) F-2

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
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Arizona Corporation Commission

Schedule B-1
Title: Summary of Original Cost and Fair Value Rate Base Elements

Date: May 18, 2004

		A	B
		Test Year Ending December 31, 2003	
		Original Cost Rate Base* (a)	Fair Value Rate Base* (b)
1	Plant in Service	4,750,352	5,136,657
2	Less - Depreciation Reserve	2,924,497	2,676,642
3	Net Plant in Service	1,825,855	2,460,015
4	Short Term Plant Under Construction	21,448	21,448
5	Materials and Supplies	7,255	7,255
6	Allowance for Cash Working Capital	(32,169)	(32,169)
7	Deferred Income Taxes	251,439	251,439
8	Customer Deposits	3,299	3,299
9	Land Development Agreement Deposits	2,023	2,023
10	Other Assets and Liabilities	97,377	97,377
11	Total Rate Base (L.3 thru 6 less 7 thru 9)	1,663,005	2,297,164
		(1,663,005)	

* Including Ratemaking, Accounting, and Normalizing Adjustments

Supporting Schedules:
(a) B-2
(b) B-3

Recap Schedule:
A-1

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-2, Page 1 of 4
Title: Original Cost Rate Base As Adjusted

Date: May 18, 2004

	[a] Intrastate End of Period Rate Base	[b] Accounting Adjustment Summary Total	[c] Ratemaking Summary Total	[d] Normalizing Adjustment Summary Total	[e]=sum(a,d) Intrastate Adjusted End of Period Rate Base
1 Telephone Plant In Service	4,863,469	(115,215)		2,098	4,750,352
2 Short-Term Plant Under Construction		21,448			21,448
3 Materials and Supplies	18,393			(11,138)	7,255
4 Allowance for Cash Working Capital			(32,169)		(32,169)
5 Accumulated Depr & Amort Reserve	3,023,100	(106,349)		7,746	2,924,497
6 Accumulated Deferred Income Tax	207,222	46,572		(2,354)	251,439
7 Customer Deposits	2,408		891		3,299
8 Land Development Agreement Deposits	2,023				2,023
9 Other Assets & Liabilities			97,377		97,377
10 **End-of-Period Rate Base**	1,647,109	(33,990)	64,317	(14,432)	1,663,005

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-2, Page 2 of 4
Title: Original Cost Rate Base Ratemaking Adjustments

Date: May 18, 2004

		[a]	[b]	[c]	[d]=a+b+c
		Cash Working Capital	**Pension Asset**	**Customer Deposits**	**Total Ratemaking Adjustments**
1	Telephone Plant In Service	0	0	0	0
2	Short-Term Plant Under Construction	0	0	0	0
3	Materials and Supplies	0	0	0	0
4	Allowance for Cash Working Capital	(32,169)	0	0	(32,169)
5	Accumulated Depr & Amort Reserve	0	0	0	0
6	Accumulated Deferred Income Tax	0	0	0	0
7	Customer Deposits	0	0	891	891
8	Land Development Agreement Deposits	0	0	0	0
9	Other Assets & Liabilities	0	97,377	0	97,377
10	**End-of-Period Rate Base** (L1+L2+L3+L4-L5-L6-L7-L8+L9)	(32,169)	97,377	(891)	64,317

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-2, Page 3 of 4
Title: Original Cost Rate Base Normalizing Adjustments

Date: May 18, 2004

		[a] Out of Period Revenue and Expense	[b] Depreciation Synchronization	[c] Incentive Compensation True-Up	[d]=[a]+[b]+[c] Total Normalizing Adjustments
1	Telephone Plant In Service	2,376	0	(278)	2,098
2	Short-Term Plant Under Construction	0	0	0	0
3	Materials and Supplies	(11,138)	0	0	(11,138)
4	Allowance for Cash Working Capital	0	0	0	0
5	Accumulated Depr & Amort Reserve	1,745	6,001	0	7,746
6	Accumulated Deferred Income Tax	0	(2,354)	0	(2,354)
7	Customer Deposits	0	0	0	0
8	Land Development Agreement Deposits	0	0	0	0
9	Other Assets & Liabilities	0	0	0	0
10	**End-of-Period Rate Base** (L1+L2+L3+L4-L5-L6-L7-L8+L9)	(10,508)	(3,647)	(278)	(14,432)

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-2, Page 4 of 4
Title: Original Cost Rate Base Accounting Adjustments

Date: May 18, 2004

		[a]	[b]	[c]	[d]	[e]=a+b+c+d
		Depreciation	**Post Employment Benefits Other Than Pensions**	**SOP98 Adoption**	**Plant Under Construction**	**Total Accounting Adjustments**
1	Telephone Plant In Service		(131,998)	17,830	(1,047)	(115,215)
2	Short-Term Plant Under Construction				21,448	21,448
3	Materials and Supplies					
4	Allowance for Cash Working Capital					
5	Accumulated Depr & Amort Reserve	(109,701)	(80)	3,503	(71)	(106,349)
6	Accumulated Deferred Income Tax	43,040	(2,365)	5,831	65	46,572
7	Customer Deposits					
8	Land Development Agreement Deposits					
9	Other Assets & Liabilities					
10	**End-of-Period Rate Base** (L1+L2+L3+L4-L5-L6-L7-L8+L9)	66,661	(129,553)	8,496	20,406	(33,990)

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-3
Title: Fair Value Rate Base As Adjusted

Date: May 18, 2004

Fair Value	A Fair Value Rate Base (a)	B Adjustments (b)	C = A + B Fair Value Rate Base As Adjusted (c)
1 Plant in Service	5,263,079	(126,422)	5,136,657
2 Less - Depreciation Reserve	2,786,843	(110,201)	2,676,642
3 Net Plant in Service (Note 1)	2,476,236	(16,221)	2,460,015
4 Short Term Plant Under Construction		21,448	21,448
5 Materials and Supplies	18,393	(11,138)	7,255
6 Allowance for Cash Working Capital		(32,169)	(32,169)
7 Deferred Income Taxes	207,222	44,217	251,439
8 Customer Deposits	2,408	891	3,299
9 Land Development Agreement Deposits	2,023		2,023
10 Other Assets and Liabilities		97,377	97,377
11 Total Rate Base (L.3 thru 6 less 7 thru 9)	2,282,976	(83,189)	2,297,164

Note 1: RCND Net Plant in Service	A	B	C = A * B
A. 100% RCND (a)	3,266,389	50%	1,633,195
B. Original Cost Net (b)	1,840,369	50%	920,185
C. Fair Value Net Plant in Service (L. A + B)			2,553,379

Supporting Schedule:
(a) B-4
(b) B-2

Recap Schedule:
(c) B-1

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-4
Title: RCND by Major Plant Accounts

Date: May 18, 2004

- Includes Embedded, FCC Deregulated & Other Plant -

	Description	A Original Cost - Incl Offbook -	B Reproduction Cost New	C=D/B Condition Percent	D Reproduction Cost New Less Depreciation
	TOTAL STATE				
1	2111 - Land	12,813	12,813	100.00%	12,813
2	2112 - Motor Vehicles	71,269	74,251	46.88%	34,811
3	2114 - Special Purpose Vehicles	26	33	26.38%	9
4	2115 - Garage Work Equipment	1,519	1,821	64.47%	1,174
5	2116 - Other Work Equipment	38,319	40,359	56.35%	22,744
6	2121 - Buildings	238,452	432,300	65.44%	282,893
7	2122 - Furniture	1,897	1,897	68.79%	1,305
8	2123 - Office Equipment	5,913	6,123	37.83%	2,316
	2123 - Company Communication Equipment	2,429	2,566		
9	2124 - General Purpose Computers	96,514	18,005	38.15%	6,868
	2211 - Analog Switching				
	2212 - Digital Switching	1,192,379	914,690	68.43%	625,939
	2220 - Operator Systems	2,534	2,902	36.53%	1,060
	2231 - Radio Systems	32,937	36,886	34.73%	12,812
	2232 - Circuit DDS	1,757,337	5,401	49.67%	2,682
	2232 - Circuit Digital		1,690,094	76.36%	1,290,497
	2232 - Circuit Analog		39,538	36.17%	14,338
11	2311 - Station Apparatus	32,899	32,899	62.43%	20,538
12	2321 - Customer Premises Wiring			0.00%	
13	2341 - Large PBX				
14	2351 - Public Telephone Terminal Equipment	21,555	21,555	40.81%	8,796
15	2362 - Other Terminal Equipment	61,166	59,208	92.47%	54,749
16	2411 - Poles	52,723	199,908	57.95%	115,855
17	2421 - Aerial Cable - Metallic	198,351	348,764	27.76%	96,834
18	2421 - Aerial Cable - Non-Metallic	9,484	10,757	55.68%	5,990
19	2422 - Underground Cable - Metallic	398,394	679,519	23.80%	161,729
20	2422 - Underground Cable - Non-Metallic	183,141	199,445	50.74%	101,205
21	2423 - Buried Cable - Metallic	1,645,740	2,178,731	43.13%	939,667
22	2423 - Buried Cable - Non-Metallic	23,709	26,229	47.63%	12,493
23	2424 - Submarine Cable - Metallic	3	5	0.00%	
24	2424 - Submarine Cable - Non-Metallic				
25	2426 - Intrabuilding Cable - Metallic	46,456	80,436	38.22%	30,741
26	2426 - Intrabuilding Cable - Non-Metallic	1,057	1,184	75.18%	890
	2431 - Aerial Cable	10,998	15,986	48.99%	7,831
	2441 - Conduit	451,409	878,335	56.31%	494,618
	2681 - Capital Leases - Buildings				
	2681 - Capital Leases - Vehicles	16	16	100.00%	16
	2681 - Capital Leases - Computers				
	2681 - Capital Leases - Software	4,432	4,432	100.00%	4,432
	2681 - Capital Leases - Other	685	685	100.00%	685
	2682 - Leaseholds - Buildings	32,889	32,741	100.00%	32,741
	2682 - Leaseholds - Computers				
	2690 - Intangibles - Software	106,880	270,377	100.00%	270,377
	2690 - Intangibles - Spectrum Rights	29	29	100.00%	29
27	Total Plant in Service (L.1 thru 26)-L10	6,736,354	8,321,020	56.15%	4,672,478
28	Reproduction Cost New Factor (Original Cost Plant / RCN Plant)	1.235			
	Arizona Intrastate Operations				
29	Intrastate Ratio	69.91%	69.91%		69.91%
30	Intrastate Plant in Service (L27 x L29)	4,709,183	5,816,975		3,266,389

Supporting Schedule:
(a) E-5

Recap Schedule:
B-3

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule B-5
Title: Computation of Allowance
For Cash Working Capital
Date: May 18, 2004

Computed in accordance with prior Commission orders.

Supporting Schedule:
Results of Lead Lag Study

Recap Schedule:
B-1

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule C-1
Adjusted Test Year Income Statement

Date: May 18, 2004

		[a]	[b]	[c]	[d]	[e]=sum(a.d)
		Regulated Intrastate	Accounting Adjustment Summary Total	Ratemaking Summary Total	Normalizing Adjustment Summary Total	Intrastate As Adjusted
Revenues						
1	Local Service Revenues	842,673			(67,539)	775,134
2	Network Access Service Revenues	72,786			(7,239)	65,547
3	Long Distance Network Service Rev.	11,163			(2,577)	8,586
4	Miscellaneous	176,362	95	73,363	11,980	261,801
5	Total Oper. Rev. (L1 thru L4)	1,102,984	95	73,363	(65,374)	1,111,068
Expenses						
6	Maintenance	234,089	24,276		(12,248)	246,117
7	Engineering Expense	8,845	1,816		(142)	10,519
8	Network Operations	53,864	15,881		222	69,967
9	Network Administration	1,425	254		1	1,681
10	Access Expense	9,041				9,041
11	Other	397	158			555
12	Total Cost of Svcs & Products(L6 thru L1	307,661	42,386		(12,167)	337,879
13	Customer Operations	188,345			199	188,545
14	Corporate Operations	202,070	6,021	(974)	(4,311)	202,806
15	Property & Other Taxes	67,302	176		(54)	67,424
16	Uncollectibles	19,499			135	19,634
17	Tot Selling, Gen. & Admin.(L13 thru L16)	477,217	6,197	(974)	(4,032)	478,408
18	Other Operating Income & Expense	(34)		198	(208)	(44)
19	Depreciation Expense	463,615	(105,440)	(14)	5,918	364,079
20	Universal Service Fund					
21	Link Up America	(2)				(2)
22	Total Operating Expense(L12+L17 thru L:	1,248,457	(56,858)	(790)	(10,489)	1,180,320
23	Income From Operations (L5-L22)	(145,473)	56,953	74,153	(54,885)	(69,252)
Taxes						
24	Federal Income Tax	(68,035)	18,750	15,179	(17,923)	(52,028)
25	State & Local Income Tax	(15,428)	3,805	3,022	(3,568)	(12,170)
26	**Net Operating Income (L23-L24-L25)**	(62,010)	34,398	55,952	(33,394)	(5,054)
Other						
27	Nonoperating Income & Expense	62,850			264	63,114
28	Nonoperating Income Tax	(5,052)				(5,052)
29	Net Operating Earnings (L26-L27-L28)	(119,809)	34,398	55,952	(33,658)	(63,117)
30	Interest Expense	69,901		27,763	(109)	97,555
31	Juris Diff & Nonreg Net Income					
32	Extraordinary Items	59				59
33	**Net Income (L29-L30-L31-L32)**	(189,770)	34,398	28,189	(33,549)	(160,731)

Supporting Schedules:
E-2
C-2

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
Schedule C-2
Summary of Accounting Adjustments
Date: May 18, 2004

		[a] Depreciation	[b] Post Employment Benefits Other Than Pensions	[c] SOP98 Adoption	[d] Plant Under Construction	[e]=Sum a..d **Total Accounting Adjustments**
Revenues						
1	Local Service Revenues					
2	Network Access Service Revenues					
3	Long Distance Network Service Rev.					
4	Miscellaneous				95	95
5	Total Oper. Rev. (L1 thru L4)				95	95
Expenses						
6	Maintenance		24,276			24,276
7	Engineering Expense		1,816			1,816
8	Network Operations		15,881			15,881
9	Network Administration		254			254
10	Access Expense					
11	Other		158			158
12	Total Cost of Svcs & Products(L6 thru L11)		42,386			42,386
13	Customer Operations					
14	Corporate Operations		24,680	(18,659)		6,021
15	Property & Other Taxes		176			176
16	Uncollectibles					
17	Tot Selling, Gen. & Admin.(L13 thru L16)		24,856	(18,659)		6,197
18	Other Operating Income & Expense					
19	Depreciation Expense					
20	Universal Service Fund					
21	Link Up America					
22	Total Operating Expense(L12+L17 thru L21)		24,856	(18,659)		6,197
23	Income From Operations (L5-L22)		(24,856)	18,659	95	(6,101)
Taxes						
24	Federal Income Tax	35,894	(22,001)	4,803	54	18,750
25	State & Local Income Tax	7,146	(4,380)	1,028	11	3,805
26	**Net Operating Income (L23-L24-L25)**	(43,040)	1,526	12,828	30	(28,656)
Other						
27	Nonoperating Income & Expense					
28	Nonoperating Income Tax					
29	Net Operating Earnings (L26-L27-L28)	(43,040)	1,526	12,828	30	(28,656)
30	Interest Expense					
31	Juris Diff & Nonreg Net Income					
32	Extraordinary Items					
33	**Net Income (L29-L30-L31-L32)**	(43,040)	1,526	12,828	30	(28,656)

Supporting Schedule:	Recap Schedule:
C-2 Attachments	C-1

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)
Summary of Normalizing Adjustments

		(A) Out of Period Revenue and Expense	(B) In-Test-Year Rate Changes	(C) Operating Income Annualization	(D) Post-Test-Year Rate Changes	(E) Wage and Salary Rates	(F) Headquarters Factors Update	(G) Rent Compensation Update
Revenues								
1	Local Service Revenues	(21)	(7,057)	(47,162)	(13,300)			
2	Network Access Service Revenues	(1,905)		(334)	(5,000)			
3	Long Distance Network Service Rev.			(2,577)				
4	Miscellaneous	657		3,021			(231)	2,326
5	Total Oper. Rev. (L1 thru L4)	(1,268)	(7,057)	(47,052)	(18,300)		(231)	2,326
Expenses								
6	Maintenance	(11,693)				66	(10)	
7	Engineering Expense	1				20	57	
8	Network Operations	193				29		
9	Network Administration					1		
10	Access Expense							
11	Other							
12	Total Cost of Svcs & Products(L6 thru L11)	(11,499)				116	47	
13	Customer Operations	1				72	(2,772)	
14	Corporate Operations			(2,405)		16	(1,892)	
15	Property & Other Taxes	(54)						
16	Uncollectibles	135						
17	Tot Selling, Gen. & Admin.(L13 thru L16)	81		(2,405)		89	(4,664)	
18	Other Operating Income & Expense	(208)						
19	Depreciation Expense	(83)						
20	Universal Service Fund							
21	Link Up America							
22	Total Operating Expense(L12+L17 thru L21)	(11,710)		(2,405)		205	(4,617)	
23	Income From Operations (L5-L22)	10,441	(7,057)	(44,646)	(18,300)	(205)	4,386	2,326
Taxes								
24	Federal Income Tax	3,416	(2,309)	(14,608)	(5,988)	(67)	1,471	761
25	State & Local Income Tax	680	(460)	(2,908)	(1,192)	(13)	293	151
26	**Net Operating Income (L23-L24-L25)**	6,345	(4,288)	(27,130)	(11,120)	(124)	2,623	1,413
Other								
27	Nonoperating Income & Expense	793					(529)	
28	Nonoperating Income Tax							
29	Net Operating Earnings (L26-L27-L28)	5,552	(4,288)	(27,130)	(11,120)	(124)	3,151	1,413
30	Interest Expense						(109)	
31	Juris Diff & Nonreg Net Income							
32	Extraordinary Items							
33	**Net Income (L29-L30-L31-L32)**	5,552	(4,288)	(27,130)	(11,120)	(124)	3,260	1,413

Supporting Schedule:
C-2 Attachments

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule C-2 Page 2 of 3
Adjusted Test Year Income Statement
Summary of Ratemaking Adjustments
Date: May 18, 2004

		Directory Revenue Imputation	Fines and Penalties	Interest Synchronization	Cash Working Capital	Pension Asset	Remove 1991 Merger Cost	Charitable Contributions	Customer Deposits	**Total Commission Adjustments**
Revenues										
1	Local Service Revenues									
2	Network Access Service Revenues									
3	Long Distance Network Service Rev.									
4	Miscellaneous	72,000	1,363							73,363
5	Total Oper. Rev. (L1 thru L4)	72,000	1,363							73,363
Expenses										
6	Maintenance									
7	Engineering Expense									
8	Network Operations									
9	Network Administration									
10	Access Expense									
11	Other									
12	Total Cost of Svcs & Products(L6 thru L11)									
13	Customer Operations									
14	Corporate Operations							(974)		(974)
15	Property & Other Taxes									
16	Uncollectibles									
17	Tot Selling, Gen. & Admin.(L13 thru L16)							(974)		(974)
18	Other Operating Income & Expense								198	198
19	Depreciation Expense						(14)			(14)
20	Universal Service Fund									
21	Link Up America									
22	Total Operating Expense(L12+L17 thru L21)						(14)	(974)	198	(790)
23	Income From Operations (L5-L22)	72,000	1,363				14	974	(198)	74,153
Taxes										
24	Federal Income Tax	23,558	446	(9,136)			10	319	(18)	15,179
25	State & Local Income Tax	4,590	89	(1,819)			2	63	(4)	3,022
26	**Net Operating Income (L23-L24-L25)**	43,751	828	10,955			2	592	(176)	55,952
Other										
27	Nonoperating Income & Expense									
28	Nonoperating Income Tax									
29	Net Operating Earnings (L26-L27-L28)	43,751	828	10,955			2	592	(176)	55,952
30	Interest Expense			27,921			(16)		(142)	27,763
31	Juris Diff & Nonreg Net Income									
32	Extraordinary Items									
33	**Net Income (L29-L30-L31-L32)**	43,751	828	(16,967)			18	592	(34)	28,189

Supporting Schedule:
C-2 Attachments

Recap Schedule:
C-1

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)
Summary of Normalizing Adjustments

		(H) Incentive Compensation True-Up	(I) Call Centers	(J) Property Tax Update	(K) Depreciation Synchronization	(L)= Sum A..K **Total Normalizing Adjustments**
Revenues						
1	Local Service Revenues					(67,539)
2	Network Access Service Revenues					(7,239)
3	Long Distance Network Service Rev.					(2,577)
4	Miscellaneous		7,664	(1,456)		11,980
5	Total Oper. Rev. (L1 thru L4)		7,664	(1,456)		(65,374)
Expenses						
6	Maintenance	(611)				(12,248)
7	Engineering Expense	(220)				(142)
8	Network Operations					222
9	Network Administration					1
10	Access Expense					
11	Other					
12	Total Cost of Svcs & Products(L6 thru L11)	(831)				(12,167)
13	Customer Operations	(234)	3,132			199
14	Corporate Operations	(30)				(4,311)
15	Property & Other Taxes					(54)
16	Uncollectibles					135
17	Tot Selling, Gen. & Admin.(L13 thru L16)	(264)	3,132			(4,032)
18	Other Operating Income & Expense					(208)
19	Depreciation Expense				6,001	5,918
20	Universal Service Fund					
21	Link Up America					
22	Total Operating Expense(L12+L17 thru L21)	(1,095)	3,132		6,001	(10,489)
23	Income From Operations (L5-L22)	1,095	4,531	(1,456)	(6,001)	(54,885)
Taxes						
24	Federal Income Tax	358	1,483	(476)	(1,964)	(17,923)
25	State & Local Income Tax	71	295	(95)	(391)	(3,568)
26	**Net Operating Income (L23-L24-L25)**	665	2,753	(884)	(3,647)	(33,394)
Other						
27	Nonoperating Income & Expense					264
28	Nonoperating Income Tax					
29	Net Operating Earnings (L26-L27-L28)	665	2,753	(884)	(3,647)	(33,658)
30	Interest Expense					(109)
31	Juris Diff & Nonreg Net Income					
32	Extraordinary Items					
33	**Net Income (L29-L30-L31-L32)**	665	2,753	(884)	(3,647)	(33,549)

Recap Schedule:
C-1

SCHEDULE E-2 SUPPORT DETAIL (E2-DET)
Title: Comparative Departmental Income
QWEST CORPORATION
Arizona Intrastate Operations
Date: 5/18/2004 12:37
(In Whole Dollars)

Total (Intra + JD - DeReg)	200312	200101 - 200112	200201 - 200212	200301 - 200312
REVENUES				
1 LOCAL SERVICE	63,377,084	1,018,732,171	947,531,984	842,673,206
2 ACCESS SERVICE	4,990,741	115,571,676	97,630,905	72,786,041
3 LONG DISTANCE SERV	779,542	19,845,210	14,443,730	11,163,067
4 MISCELLANEOUS	14,761,774	185,592,095	154,219,045	176,361,845
5 **TOTAL REVENUE**	**83,909,141**	**1,339,741,152**	**1,213,825,664**	**1,102,984,159**
EXPENSES				
COSTS OF SERV & PRODS				
6 MAINTENANCE	11,901,486	295,738,002	241,425,308	234,089,190
7 ENGINEERING	2,753,927	8,736,152	12,611,317	8,844,887
8 NETWORK OPER	6,007,002	48,669,034	58,680,543	53,863,679
9 NETWORK ADM	120,396	(1,826,652)	1,567,497	1,425,398
10 ACCESS	499,470	20,652,443	6,311,417	9,040,968
11 OTHER	224,037	358,135	166,694	397,011
12 **TOTAL COST & PRODS**	**21,506,318**	**372,327,114**	**320,762,775**	**307,661,133**
SELL,GEN & ADMIN				
13 CUSTOMER OPERS	20,243,422	197,233,774	206,012,495	188,345,065
14 CORPORATE OPERS	15,056,850	209,580,593	151,657,356	202,070,370
15 PROP & OTH TAXES	5,852,290	53,401,512	63,122,062	67,302,269
16 UNCOLLECTIBLES	1,637,673	31,453,032	28,406,874	19,498,947
17 **TOT SELL,GEN & ADM**	**42,790,235**	**491,668,910**	**449,198,788**	**477,216,651**
18 OTH OPR INC & EXP	0	5,603	47,008	(33,986)
19 DEPR. & AMORT.	38,382,930	428,690,556	461,241,464	463,615,484
20 UNIV SERV FUND	0	42,428	(5,283,633)	0
21 LINK UP AMERICA	(201)	(12,611)	(4,775)	(1,983)
22 **TOTAL OPER EXPS** (L12+17 THRU 21)	**102,679,282**	**1,292,722,001**	**1,225,961,628**	**1,248,457,299**
23 **INC BEFORE TAXES** (L5-L22)	**(18,770,140)**	**47,019,152**	**(12,135,963)**	**(145,473,140)**
INCOME TAXES				
24 FEDERAL	(8,648,090)	(2,628,245)	(8,001,032)	(68,034,860)
25 STATE AND LOCAL	(7,473,143)	(4,414,047)	(9,540,830)	(15,427,960)
26 **NET OPER INCOME** (L23-L24-L25)	**(2,648,907)**	**54,061,444**	**5,405,899**	**(62,010,320)**
27 INTEREST EXPENSE	6,463,722	58,582,249	65,681,778	69,901,429
28 NONOPER INC & EXP	11,279,977	35,058,947	131,900,352	62,850,409
29 NONOPER INC TAX	(4,769,702)	(69,134)	(1,364,082)	(5,051,657)
30 JUR DIFF & NONREG	0	0	0	0
31 EXTRA ITEMS	0	88	0	59,090
32 **NET INCOME**	**(15,622,904)**	**(39,510,707)**	**(190,812,149)**	**(189,759,591)**

SCHEDULE E-2 SUPPORT DETAIL (E2-DET)
Title: Comparative Departmental Income
QWEST CORPORATION
Arizona Intrastate Operations
Date: 5/18/2004 12:37
(In Whole Dollars)

INTRASTATE (1990 Detail)	200312	200101 - 200112	200201 - 200212	200301 - 200312
	200312			
REVENUES				
1 LOCAL SERVICE	63,377,084	1,018,732,171	947,531,984	842,673,206
2 ACCESS SERVICE	4,990,741	115,571,676	97,630,905	72,786,041
3 LONG DISTANCE SERV	779,542	19,845,210	14,443,730	11,163,067
4 MISCELLANEOUS	5,584,788	69,771,770	58,985,410	86,953,480
5 TOTAL REVENUE	**74,732,155**	**1,223,920,827**	**1,119,592,029**	**1,013,575,794**
EXPENSES				
COSTS OF SERV & PRODS				
6 MAINTENANCE	9,590,487	260,126,321	212,426,840	201,586,753
7 ENGINEERING	2,753,196	8,712,293	12,591,085	8,836,407
8 NETWORK OPER	5,394,621	42,826,811	51,957,247	46,464,423
9 NETWORK ADM	119,704	(1,817,281)	1,557,953	1,416,959
10 ACCESS	499,470	20,652,443	6,311,417	9,040,968
11 OTHER	220,259	340,654	161,739	390,071
12 TOTAL COST & PRODS	**18,577,737**	330,841,241	285,006,280	267,735,581
SELL,GEN & ADMIN				
13 CUSTOMER OPERS	17,199,367	169,830,950	180,073,916	164,980,653
14 CORPORATE OPERS	13,869,959	195,414,573	141,665,652	179,838,586
15 PROP & OTH TAXES	5,845,617	52,542,664	62,068,016	66,415,545
16 UNCOLLECTIBLES	1,532,699	29,313,998	25,986,209	18,118,730
17 TOT SELL,GEN & ADM	**38,447,642**	447,102,184	409,793,794	429,353,514
18 OTH OPR INC & EXP	0	5,188	42,679	(33,304)
19 DEPR. & AMORT.	37,702,716	421,474,735	454,183,797	455,902,693
20 UNIV SERV FUND	0	42,428	(5,283,633)	0
21 LINK UP AMERICA	(201)	(12,611)	(4,775)	(1,983)
22 TOTAL OPER EXPS (L12+17 THRU 21)	**94,727,894**	1,199,453,166	1,143,738,143	1,152,956,501
23 INC BEFORE TAXES (L5-L22)	**(19,995,738)**	24,467,662	(24,146,113)	(139,380,707)
INCOME TAXES				
24 FEDERAL	(9,320,591)	(9,470,730)	(11,139,484)	(65,366,543)
25 STATE AND LOCAL	(7,268,944)	(5,265,853)	(9,122,911)	(14,122,656)
26 NET OPER INCOME (L23-L24-L25)	**(3,406,203)**	39,204,245	(3,883,718)	(59,871,508)
27 INTEREST EXPENSE	6,370,867	57,630,493	64,794,608	68,955,047
28 NONOPER INC & EXP	11,215,541	34,929,022	131,729,160	62,533,258
29 NONOPER INC TAX	(4,757,609)	(150,151)	(1,792,105)	(5,214,604)
30 JUR DIFF & NONREG		0	0	0
31 EXTRA ITEMS	0	(110)	0	(21,586)
32 NET INCOME	**(16,235,002)**	(53,205,010)	(198,615,381)	(186,123,623)
DEFERRED INCOME TAX				
33 FEDERAL	(8,753,426)	2,862,284	(17,609,439)	(34,046,664)

SCHEDULE E-2 SUPPORT DETAIL [E2-DET]
Title: Comparative Departmental Income
QWEST CORPORATION
Arizona Intrastate Operations
Date: 5/18/2004 12:37
(In Whole Dollars)

	200312	200101 - 200112	200201 - 200212	200301 - 200312
34 STATE	(1,588,192)	(7,815,187)	(9,431,661)	(8,069,562)
35 **TOTAL DEFERRED INCOME**	**(10,341,618)**	**(4,952,903)**	**(27,041,100)**	**(42,116,226)**

PART X DETAIL	200,312			
REVENUES				
1 LOCAL SERVICE		0	0	0
2 ACCESS SERVICE		0	0	0
3 LONG DISTANCE SERV		0	0	0
4 MISCELLANEOUS	9,400,073	127,637,106	100,930,525	98,020,934
5 TOTAL REVENUE	**9,400,073**	127,637,106	100,930,525	98,020,934
EXPENSES				
COSTS OF SERV & PRODS				
6 MAINTENANCE	2,454,375	41,084,398	31,694,991	35,371,879
7 ENGINEERING	752	24,396	20,492	8,634
8 NETWORK OPER	631,833	6,310,683	7,157,626	7,839,504
9 NETWORK ADM	692	(9,371)	8,544	8,439
10 ACCESS		0	0	0
11 OTHER	3,891	9,716	5,105	7,240
12 TOTAL COST & PRODS	**3,091,543**	47,419,820	38,887,758	43,235,696
SELL,GEN & ADMIN				
13 CUSTOMER OPERS	3,346,331	34,973,814	32,508,760	29,639,541
14 CORPORATE OPERS	1,154,010	17,053,078	11,956,399	23,986,941
15 PROP & OTH TAXES	80,797	2,112,041	2,198,865	1,910,483
16 UNCOLLECTIBLES	(315,680)	2,149,131	4,333,307	1,270,659
17 TOT SELL,GEN & ADM	**4,265,458**	56,288,064	50,997,331	56,807,624
18 OTH OPR INC & EXP	0	508	5,239	(663)
19 DEPR. & AMORT.	726,659	8,175,847	8,034,669	8,522,635
20 UNIV SERV FUND		0	0	0
21 LINK UP AMERICA		0	0	0
22 TOTAL OPER EXPS (L12+17 THRU 21)	**8,085,660**	111,884,039	97,924,997	108,565,292
23 INC BEFORE TAXES (L5-L22)	**1,314,413**	15,753,067	3,005,528	(10,544,358)
INCOME TAXES				
24 FEDERAL	946,268	4,482,937	(951,500)	(4,210,266)
25 STATE AND LOCAL	(438,625)	570,674	73,267	(2,193,803)
26 NET OPER INCOME (L23-L24-L25)	**806,770**	10,699,456	3,883,761	(4,140,289)
27 INTEREST EXPENSE	123,653	1,253,761	1,220,246	1,290,443
28 NONOPER INC & EXP	68,886	159,147	205,431	352,365
29 NONOPER INC TAX	(14,847)	143,208	573,667	232,127
30 JUR DIFF & NONREG		0	0	0
31 EXTRA ITEMS	0			

SCHEDULE E-2 SUPPORT DETAIL (E2-DET)
Title: Comparative Departmental Income
QWEST CORPORATION
Arizona Intrastate Operations
Date: 5/18/2004 12:37
(In Whole Dollars)

	200312	200101 - 200112	200201 - 200212	200301 - 200312
32 NET INCOME	**631,078**	9,143,173	1,894,397	(6,040,865)

Dereg	DEC03			
REVENUES				
1 LOCAL SERVICE	0	0	0	0
2 ACCESS SERVICE	0	0	0	0
3 LONG DISTANCE SERV	0	0	0	0
4 MISCELLANEOUS	223,087	11,816,781	6,696,890	8,612,569
5 TOTAL REVENUE	**223,087**	11,816,781	6,696,890	8,612,569
EXPENSES		0	0	0
COSTS OF SERV & PRODS				
6 MAINTENANCE	143,376	5,472,715	2,696,523	2,869,442
7 ENGINEERING	21	537	260	154
8 NETWORK OPER	19,452	468,460	434,330	440,248
9 NETWORK ADM	0	0	0	0
10 ACCESS	0	0	0	0
11 OTHER	113	(7,765)	150	300
12 TOTAL COST & PRODS	**162,962**	5,933,947	3,131,263	3,310,144
SELL,GEN & ADMIN		0	0	0
13 CUSTOMER OPERS	302,276	7,570,990	6,570,181	6,275,129
14 CORPORATE OPERS	(32,881)	2,887,058	1,964,695	1,755,157
15 PROP & OTH TAXES	74,124	1,253,193	1,144,819	1,023,759
16 UNCOLLECTIBLES	(420,654)	10,097	1,912,642	(109,558)
17 TOT SELL,GEN & ADM	**(77,135)**	11,721,338	11,592,337	8,944,487
18 OTH OPR INC & EXP	0	93	910	19
19 DEPR. & AMORT.	48,445	959,826	977,002	809,844
20 UNIV SERV FUND				
21 LINK UP AMERICA				
22 TOTAL OPER EXPS (L12+17 THRU 21)	**134,272**	18,615,204	15,701,512	13,064,494
23 INC BEFORE TAXES (L5-L22)	**88,815**	(6,798,423)	(9,004,622)	(4,451,925)
INCOME TAXES				
24 FEDERAL	273,767	(2,359,548)	(4,099,952)	(1,561,949)
25 STATE AND LOCAL	(234,426)	(281,132)	491,186	(888,499)
26 NET OPER INCOME (L23-L24-L25)	**49,474**	(4,157,743)	(5,395,856)	(2,001,477)
27 INTEREST EXPENSE	30,798	302,005	333,076	344,061
28 NONOPER INC & EXP	2,450	29,222	34,239	35,214
29 NONOPER INC TAX	(2,754)	62,191	145,664	69,180
30 JUR DIFF & NONREG	0	0	0	0
31 EXTRA ITEMS	0	(31)	0	(55,035)

SCHEDULE E-2 SUPPORT DETAIL (E2-DET)
Title: Comparative Departmental Income
QWEST CORPORATION
Arizona Intrastate Operations
Date: 5/18/2004 12 37
(In Whole Dollars)

	200312	200101 - 200112	200201 - 200212	200301 - 200312
32 NET INCOME	**18,980**	(4,551,130)	(5,908,835)	(2,394,897)

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule E-3
Title: Comparative Statement of Cash Flows
Date: May 18, 2004

	A End of Test Year At Dec 31 2001	B End of Year At Dec 31 2002	C End of Year At Dec 31 2003
OPERATING ACTIVITIES			
1. Net Operating Income	$54,061	$5,406	($62,010)
Adjustments to Net Operating Income:			
2. Depreciation & Amortization	428,691	461,241	463,615
3. Deferred Income Taxes	(4,953)	(27,041)	(42,116)
4. Cash provided by Operating Activities (L1.L3)	477,799	439,606	359,489
INVESTING ACTIVITIES			
5. Net Construction Expenditures	(468,306)	(208,630)	(198,587)
6. Cash(used for) investing activities (L5)	(468,306)	(208,630)	(198,587)
FINANCING ACTIVITIES			
7. Dividends Paid	39,511	190,812	189,770
8. Net Outside Financing	404,771	23,521	95,189
9. Interest	(58,582)	(65,682)	(69,901)
10. Net Cash Flow (L4+L6+L7+L8+L9)	$395,192	$379,627	$375,959

Recap Schedules:
(a) A-5

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
Comparative Statement of Cash Flows - Backup

			A End of Test Year At Dec 31 2001	B End of Year At Dec 31 2002	C End of Year At Dec 31 2003
	INVESTING ACTIVITIES				
1	Net Construction Expenditures, Total State	JR21Y	648,507,949	288,909,935	275,001,554
2	Plant in service intrastate factor	TPIS	72.21%	72.21%	72.21%
3	Net Construction Expenditures, Intrastate	L1xL2	468,306,397	208,630,243	198,586,597
4					
5					
6	**FINANCING ACTIVITIES**				
7	Total Debt, Beginning of Period		719,521,916	1,124,292,900	1,147,813,500
8	Total Debt, End of Period		1,124,292,900	1,147,813,500	1,243,002,400
9	**Net Outside Financing (Change in Debt)**		**404,770,984**	**23,520,600**	**95,188,900**

QWEST CORPORATION
TOTAL COMPANY OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule E-4
Title: Statement of Change in Stockholders' Equity

Date: May 18, 2004

	TOTAL COMPANY	A Common Stock Shares	B Common Stock Amount	C Premium on Common Stock	D Retained Earnings	E=B+C+D Common Stockholders Equity
1	Balance, January 1,2001	1	8,140,000		(3,420,000)	4,720,000
	12 Months Ended Dec 31 2001					
3	Net Income				902,000	902,000
4	Dividends Declared				(902,000)	(902,000)
6	Miscellaneous Debits & Credits				(139,000)	(139,000)
7	Balance, December 31,2001	1	8,140,000	0	(3,559,000)	4,581,000
	12 Months Ended Dec 31 2002					
9	Net Income (Loss)				1,407,000	1,407,000
10	Dividends Declared				(1,407,000)	(1,407,000)
12	Miscellaneous Debits & Credits				(2,000)	(2,000)
13	Balance, December 31,2002	1	8,140,000	0	(3,561,000)	4,579,000
	12 Months Ended Dec 31 2003					
15	Net Income				805,000	805,000
16	Dividends Declared				(805,000)	(805,000)
18	Miscellaneous Debits & Credits				(82,000)	(82,000)
19	Balance, December 31,2003	1	8,140,000	0	(3,643,000)	4,497,000
	Arizona Intrastate Common Stockholders' Equity (Based on allocated balance sheet amounts)					
20	Balance, December 31, 2001					729,020
21	Balance, December 31, 2002					426,675
22	Balance, December 31, 2003					531,176

Note: Amounts available only in millions. Expressed in thousands on this schedule for integration with other schedules.

Supporting Schedules:
None

Recap Schedules:
None

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule E-5
Title: Detail of Utility Plant

Date: May 18, 2004

Description	A End of Test Year At Dec 31 2003	B 2002 Net Additions & Transfers	C = A - B End of Prior Year Dec 31 2002
TOTAL STATE			
1 2111 - Land	12,813	1,128	13,081
2 2112 - Motor Vehicles	71,269	(5,053)	73,034
3 2113 - Aircraft			
4 2114 - Special Purpose Vehicles	26		26
5 2115 - Garage Work Equipment	1,519	(150)	1,490
6 2116 - Other Work Equipment	38,319	(392)	34,277
7 2121 - Buildings	238,452	23,260	220,353
8 2122 - Furniture	1,897	(183)	1,835
9 2123 - Office Equipment	5,913	(225)	5,907
10 2123 - Company Communication Equipment	2,429	(3,102)	2,114
11 2124 - General Purpose Computers	96,514	(1,561)	96,604
Central Office Equipment			
12 2211 - Analog Switching			
13 2212 - Digital Switching	1,192,379	31,144	1,179,037
14 2220 - Operator Systems	2,534	(369)	4,117
15 2231 - Radio Systems	32,937	(733)	33,035
16 2232 - Circuit DDS	1,757,337	(729)	6,190
17 2232 - Circuit Digital		76,714	1,673,679
18 2232 - Circuit Analog		(1,811)	41,576
19 **Total COE**	**2,985,186**	**104,216**	**2,937,634**
20 2311 - Station Apparatus	32,899		32,897
21 2321 - Customer Premises Wiring			
22 2341 - Large PBX			
23 2351 - Public Telephone Terminal Equipment	21,555	(367)	17,477
24 2362 - Other Terminal Equipment	61,166	(4,696)	60,327
25 2411 - Poles	52,723	1,453	51,310
26 2421 - Aerial Cable - Metallic	198,351	6,348	191,194
27 2421 - Aerial Cable - Non-Metallic	9,484	1,351	8,474
28 2422 - Underground Cable - Metallic	398,394	7,757	388,971
29 2422 - Underground Cable - Non-Metallic	183,141	19,816	177,699
30 2423 - Buried Cable - Metallic	1,645,740	110,770	1,583,311
31 2423 - Buried Cable - Non-Metallic	23,709	1,942	21,851
32 2424 - Submarine Cable - Metallic	3		3
33 2424 - Submarine Cable - Non-Metallic			
34 2426 - Intrabuilding Cable - Metallic	46,456	1,220	45,100
35 2426 - Intrabuilding Cable - Non-Metallic	1,057	136	928
36 2431 - Aerial Cable	10,998	594	10,552
37 2441 - Conduit	451,409	28,339	436,977
38 Total Capital Leases	5,132	(25,780)	33,251
39 Total Leasehold Improvements	32,869	1,048	32,896
40 Total Intangibles	106,910	35,629	111,106
41 **2001 Total Plant in Service**	**6,736,354**	**303,498**	**6,590,677**
INTRASTATE			
42 2001 Plant in Service	4,700,836	192,910	4,507,926
43 Depreciation Reserve	2,183,210	(72,084)	2,255,294
44 Net Plant In Service	2,517,626	264,994	2,252,632
45 2002 - Held for Future Use			
46 2003 - Under Construction - Short Term	10,449	(41,230)	51,679
47 2004 - Under Construction - Long Term			
48 2005 - Telephone Plant Adjustments	1,917	(13,382)	15,299
1 Total Net Plant	2,529,992	210,381	2,319,610

Supporting Schedules:
None

Recap Schedules:
E-1
A-4
B-4

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule E-6
Title: Comparative Departmental Operating Income Statements
Date: May 18, 2004

	Description	A End of Year At Dec 31 2001	B End of Year At Dec 31 2002	C End of Test Year At Dec 31 2003
	BASIC LOCAL SERVICES REVENUE			
1	5001 Basic Area Revenue	747,501	679,929	614,987
2	5002 Optional Extended Area	(2)	0	0
3	5003 Cellular Mobile Services	0	0	0
4	5004 Other Mobile Services	1	1	1
5	5010 Public Telephone	0	0	0
6	5040 Local Private Line	1	1	1
7	5050 Customer Premises	119	95	75
8	5060 Other Local Exchange	271,112	267,506	227,609
9	5069 Settlements	0	0	0
10	TOTAL BASIC LOCAL SERVICES	1,018,732	947,532	842,673
	NETWORK ACCESS SERVICE REVENUE	0	0	0
11	5081 End User *	0	0	0
12	5082 Switched Access *	0	0	0
13	5083 Special Access *	0	0	0
14	5084 State Access	115,572	97,631	72,786
15	TOTAL NETWORK ACCESS SERVICE REVENUE	115,572	97,631	72,786
	LONG DISTANCE NETWORK			
16	5100 Long Distance Message	17,678	12,974	9,852
17	5110 Unidirectional Lng Distance	2,162	1,466	1,306
18	5120 Long Distance Pvt Network	5	4	5
19	5160 Other Long Distance	0	0	0
20	TOTAL LONG DISTANCE NETWORK	19,845	14,444	11,163
	MISCELLANEOUS REVENUE			
21	5230 Directory	17,399	16,601	16,040
22	5240 Rent	12,605	1,923	33,389
23	5250 Corporate Operations	(3,839)	10,304	12,568
24	5260 Miscellaneous	34,911	24,856	19,627
25	5280 Other Nonregulated	115,820	94,234	89,408
26	5270 Carrier Billing & Collection	8,696	6,301	5,330
27	TOTAL MISCELLANEOUS REVENUE	185,592	154,219	176,362
28	TOTAL REVENUE	1,339,741	1,213,826	1,102,984
29	TOTAL OPERATING EXPENSES & TAXES	1,285,680	1,208,420	1,164,994
30	NET OPERATING INCOME (L.28-L.29)	54,061	5,406	(62,010)

Supporting Schedules: None
Note: Schedule E-6 is prepared
Note: Schedule E-6

Recap Schedules:
E-2
* Interstate Accounts

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
BASIC LOCAL SERVICES REVENUE												
1 5001 Basic Area Revenue	63,061,205	62,722,269	64,374,615	62,289,279	63,086,140	62,127,693	62,168,687	61,189,263	58,820,196	60,239,967	67,984,569	59,436,642
2 5002 Optional Extended Area	-	2	5	5	(1,201)	(538)	5	5	5	5	5	5
3 5003 Cellular Mobile Services	-	-	-	-	-	-	-	-	-	-	-	-
4 5004 Other Mobile Services	27	134	69	69	69	69	69	69	69	69	69	69
5 5010 Public Telephone	-	-	-	-	-	-	-	-	-	-	-	-
6 5040 Local Private Line	178	94	51	51	51	51	51	51	51	51	51	51
7 5050 Customer Premises	-	13,402	8,187	11,991	8,575	16,004	8,491	6,726	17,990	12,856	9,266	5,826
8 5060 Other Local Exchange	22,124,724	22,443,636	22,561,193	23,049,194	23,844,395	22,325,763	22,489,711	23,330,533	22,793,699	23,163,942	22,860,416	20,125,190
9 5069 Settlements	-	-	-	-	-	-	-	-	-	-	-	-
10 TOTAL BASIC LOCAL SERVICES	**85,186,134**	**85,179,537**	**86,944,120**	**85,350,589**	**86,938,029**	**84,469,042**	**84,667,014**	**84,526,647**	**81,632,010**	**83,416,890**	**90,854,376**	**79,567,783**
NETWORK ACCESS SERVICE REVENUE												
11 5081 End User *	-	-	-	-	-	-	-	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-	-	-	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-	-	-	-	-	-	-	-
14 5084 State Access	10,714,610	9,707,036	10,621,226	9,819,606	9,226,445	9,309,489	9,811,303	10,121,476	9,560,584	9,540,416	8,577,270	8,562,215
15 TOTAL NETWORK ACCESS SERVICE REVENUE	**10,714,610**	**9,707,036**	**10,621,226**	**9,819,606**	**9,226,445**	**9,309,489**	**9,811,303**	**10,121,476**	**9,560,584**	**9,540,416**	**8,577,270**	**8,562,215**
LONG DISTANCE NETWORK												
16 5100 Long Distance Message	1,376,436	1,385,040	1,596,588	1,420,628	1,482,440	1,459,668	1,782,204	1,445,080	1,483,845	1,556,013	1,278,193	1,412,102
17 5110 Unidirectional Lng Distance	226,064	198,596	244,260	215,396	209,574	210,377	240,682	148,135	98,776	118,105	130,389	121,862
18 5120 Long Distance Pvt Network	399	448	409	409	409	409	409	409	409	409	409	409
19 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	**1,602,899**	**1,584,084**	**1,841,277**	**1,636,433**	**1,692,423**	**1,670,454**	**2,023,295**	**1,593,624**	**1,582,830**	**1,674,527**	**1,408,991**	**1,534,373**
MISCELLANEOUS REVENUE												
21 5230 Directory	1,476,931	1,466,783	1,469,286	1,454,494	1,471,387	1,490,302	1,424,239	1,439,314	1,397,006	1,420,175	1,473,393	1,415,750
22 5240 Rent	(1,584,555)	1,088,922	610,451	1,348,941	412,327	1,980,173	673,872	1,582,708	1,316,658	(2,173,382)	(134,661)	7,483,220
23 5250 Corporate Operations	(143,549)	(14,767)	2,946,098	789,103	1,010,184	(825,698)	260,095	267,600	1,578,829	473,472	(5,575,476)	(4,604,495)
24 5260 Miscellaneous	1,789,596	2,639,579	2,168,758	1,620,322	2,240,589	2,475,487	6,217,290	2,603,427	3,878,911	2,795,970	3,077,313	3,413,719
25 5280 Other Nonregulated	8,330,301	8,285,335	12,425,864	8,067,643	8,080,747	11,796,491	10,504,325	8,534,927	9,080,269	8,144,244	9,116,343	13,453,840
26 5270 Carrier Billing & Collection	490,182	704,444	1,216,745	592,932	692,911	939,856	640,585	805,420	904,978	498,768	538,484	670,365
27 TOTAL MISCELLANEOUS REVENUE	**10,358,906**	**14,170,296**	**20,827,202**	**13,873,435**	**13,908,145**	**17,856,612**	**19,720,406**	**15,233,395**	**18,156,651**	**11,159,247**	**8,495,398**	**21,832,400**
28 **TOTAL REVENUE**	**107,862,549**	**110,640,953**	**120,233,825**	**110,680,063**	**111,765,042**	**113,305,597**	**116,222,018**	**111,475,142**	**110,932,075**	**105,791,080**	**109,336,033**	**111,496,771**
29 **TOTAL OPERATING EXPENSES & TAXES**	**109,100,088**	**104,813,490**	**112,181,566**	**105,886,654**	**108,096,879**	**99,947,023**	**105,055,858**	**109,573,629**	**98,920,402**	**108,225,155**	**104,560,952**	**119,318,012**
30 **NET OPERATING INCOME** (L.28-L.29)	**(1,237,539)**	**5,827,462**	**8,052,259**	**4,793,409**	**3,668,164**	**13,358,574**	**11,166,162**	**1,901,513**	**12,011,673**	**(2,434,075)**	**4,775,081**	**(7,821,241)**

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
INTRASTATE MR RESULTS	**200101**	**200102**	**200103**	**200104**	**200105**	**200106**	**200107**	**200108**	**200109**	**200110**	**200111**	**200112**
BASIC LOCAL SERVICES REVENUE												
1 5001 Basic Area Revenue	63,061,205	62,722,269	64,374,615	62,289,279	63,086,140	62,127,693	62,168,687	61,189,263	58,820,196	60,239,967	67,984,569	59,436,642
2 5002 Optional Extended Area	-	2	5	5	(1,201)	(538)	5	5	5	5	5	5
3 5003 Cellular Mobile Services												
4 5004 Other Mobile Services	27	134	69	69	69	69	69	69	69	69	69	69
5 5010 Public Telephone												
6 5040 Local Private Line	178	94	51	51	51	51	51	51	51	51	51	51
7 5050 Customer Premises	-	13,402	8,187	11,991	8,575	16,004	8,491	6,726	17,990	12,856	9,266	5,826
8 5060 Other Local Exchange	22,124,724	22,443,636	22,561,193	23,049,194	23,844,395	22,325,763	22,469,711	23,330,533	22,793,599	23,183,942	22,660,416	20,125,190
9 5069 Settlements												
10 TOTAL BASIC LOCAL SERVICES	85,186,134	85,179,537	86,944,120	85,350,589	86,938,029	84,469,042	84,667,014	84,526,647	81,632,010	83,416,890	90,854,376	79,567,783
NETWORK ACCESS SERVICE REVENUE												
11 5081 End User *	-	-	-	-	-	-	-	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-	-	-	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-	-	-	-	-	-	-	-
14 5084 State Access	10,714,610	9,707,036	10,621,226	9,819,606	9,226,445	9,309,489	9,811,303	10,121,476	9,560,584	9,540,416	8,577,270	8,562,215
15 TOTAL NETWORK ACCESS SERVICE REVENUE	10,714,610	9,707,036	10,621,226	9,819,606	9,226,445	9,309,489	9,811,303	10,121,476	9,560,584	9,540,416	8,577,270	8,562,215
LONG DISTANCE NETWORK												
16 5100 Long Distance Message	1,376,436	1,385,040	1,596,588	1,420,628	1,482,440	1,459,658	1,782,204	1,445,080	1,483,645	1,556,013	1,278,193	1,412,102
17 5110 Unidirectional Lng Distance	226,064	198,596	244,280	215,396	209,574	210,377	240,682	148,135	98,776	118,105	130,389	121,862
18 5120 Long Distance Pvt Network	399	448	409	409	409	409	409	409	409	409	409	409
19 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	1,602,899	1,584,084	1,841,277	1,636,433	1,692,423	1,670,454	2,023,295	1,593,624	1,582,830	1,674,527	1,408,991	1,534,373
MISCELLANEOUS REVENUE												
21 5230 Directory	1,476,931	1,466,783	1,469,286	1,454,494	1,471,387	1,490,302	1,424,239	1,439,314	1,397,006	1,420,175	1,473,393	1,415,750
22 5240 Rent	(1,584,555)	1,088,922	610,451	1,346,941	412,327	1,960,173	673,872	1,582,708	1,316,658	(2,173,382)	(134,661)	7,483,220
23 5250 Corporate Operations	(143,549)	(14,767)	2,946,098	789,103	1,010,184	(825,698)	260,095	267,600	1,578,829	473,472	(5,575,476)	(4,604,495)
24 5260 Miscellaneous	1,789,596	2,639,579	2,158,758	1,620,322	2,240,589	2,475,487	6,217,290	2,603,427	3,878,911	2,795,970	3,077,313	3,413,719
25 5280 Other Nonregulated	(1)	1	1	-	2	(1)	(2)	2	(3,811)	3,313	2	501
26 5270 Carrier Billing & Collection	490,182	704,444	1,216,745	592,932	692,911	939,856	640,585	805,420	904,978	498,768	538,484	670,365
27 TOTAL MISCELLANEOUS REVENUE	2,028,604	5,884,962	8,401,339	5,805,792	5,827,400	6,060,120	9,216,079	6,698,470	9,072,571	3,018,316	(620,945)	8,379,061
28 **TOTAL REVENUE**	99,532,247	102,355,619	107,807,962	102,612,420	103,684,297	101,509,105	105,717,691	102,940,217	101,847,995	97,650,149	100,219,692	98,043,432

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
29 **TOTAL OPERATING EXPENSES & TAXES**	101,453,825	97,558,413	103,105,093	98,445,889	100,802,498	90,514,905	95,823,431	101,272,338	92,752,116	99,207,319	95,853,551	107,927,205
30 **NET OPERATING INCOME** (L.28-L.29)	(1,921,578)	4,797,205	4,702,869	4,166,531	2,881,800	10,984,200	9,894,260	1,667,879	9,095,879	(1,557,170)	4,366,141	(9,883,773)
5100 Long Distance Message												
LD Msg Rev Interstate												
LD Msg Rev Intrastate	1,021,803	909,493	1,235,541	1,103,681	1,129,372	1,147,827	1,408,156	1,106,098	1,150,155	1,206,573	1,006,469	1,101,667
LD Msg Rev Interstate Toll Calling Plan												
LD Msg Rev Intrastate Toll Calling Plan	353,337	496,053	357,359	313,793	348,049	306,172	365,297	333,486	332,272	346,164	271,446	306,935
LD Msg Rev Resale Interstate												
LD Msg Rev Resale Intrastate	1,296	(20,506)	3,688	3,154	5,019	5,669	8,751	5,496	1,218	3,276	278	3,500
Total Long Distance Message	**1,376,436**	**1,385,040**	**1,596,588**	**1,420,628**	**1,482,440**	**1,459,668**	**1,782,204**	**1,445,080**	**1,483,645**	**1,556,013**	**1,278,193**	**1,412,102**
5110 Unidirectional Lng Distance												
	67,643	(109,367)	44,198	14,465	42,419	31,547	36,211	39,274	39,555	36,095	38,228	34,966
	-	85,176	32,442	40,512	32,457	34,555	45,696	40,090	37,979	42,378	38,911	35,543
	41	131	3	112	669	69	129	45	79	22	163	(17)
	21,967	(18,707)	5,135	58,164	12,317	25,225	22,198	22,240	26,724	19,776	22,460	17,733
	134,989	240,026	161,169	100,961	120,553	118,086	134,964	45,160	(6,915)	19,029	29,016	32,890
	1,405	1,305	1,328	1,184	1,150	900	1,484	1,325	1,354	805	1,611	747
	19	32	5	18	9	(5)	-	1	-	-	-	-
Total Unidirectional Long Distance	**226,064**	**198,596**	**244,280**	**215,396**	**209,574**	**210,377**	**240,682**	**148,135**	**98,778**	**118,105**	**130,389**	**121,882**
5120 Long Distance Pvt Network												
	399	448	409	409	409	409	409	409	409	409	409	409
Total 5120 Long Distance Pvt Network	399	448	409	409	409	409	409	409	409	409	409	409
5160 Other Long Distance												
Total 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-	-
5280 Other Nonregulated												
	(1)	-	(1)	-	1	(1)	-	-	-	1	1	1

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
	-	-	1	(1)	(1)	(1)	(1)	-	(500)	-	-	500
	-	-	1	1	1	1	-	1	-	1	1	-
	-	1	-	-	1	-	(1)	-	(3,311)	3,311	-	-
	-	-	-	-	-	-	-	1	-	-	-	-
Total 5280 Other Nonregulated	(1)	1	1	-	2	(1)	(2)	2	(3,811)	3,313	2	501
OPERATING EXPENSES & TAXES												
Federal Income Taxes	(3,505,171)	5,440,300	(1,803,840)	(63,957)	(899,750)	4,230,315	2,807,223	(1,586,455)	2,905,834	(3,435,282)	249,292	(13,809,240)
State and Local Income Taxes	(339,624)	1,001,050	(343,260)	(269,029)	(135,970)	708,308	581,947	75,297	840,058	171,981	83,995	(7,640,806)
Total Operating Expense	105,298,620	91,117,064	105,252,193	98,778,874	101,838,217	85,576,281	92,434,261	102,783,496	89,006,224	102,470,620	95,520,264	129,377,051
Total Operating Expense & Taxes	**101,453,825**	**97,558,413**	**103,105,093**	**98,445,889**	**100,802,498**	**90,514,905**	**95,823,431**	**101,272,338**	**92,752,116**	**99,207,319**	**95,853,551**	**107,927,206**

PART X

	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
25 5280 Other Nonregulated	9,366,370	9,445,889	13,508,048	9,240,329	9,214,055	13,129,919	11,738,094	9,348,708	10,229,909	8,893,168	9,992,484	13,530,133
26 5270 Carrier Billing & Collection												
27 TOTAL MISCELLANEOUS REVENUE	9,366,370	9,445,889	13,508,048	9,240,329	9,214,055	13,129,919	11,738,094	9,348,708	10,229,909	8,893,168	9,992,484	13,530,133
28 TOTAL REVENUE	9,366,370	9,445,889	13,508,048	9,240,329	9,214,055	13,129,919	11,738,094	9,348,708	10,229,909	8,893,168	9,992,484	13,530,133
29 TOTAL OPERATING EXPENSES & TAXES	9,110,572	8,445,645	10,178,217	8,845,928	8,520,408	11,159,507	10,424,757	9,604,109	7,164,327	10,096,714	10,207,324	13,180,142
30 NET OPERATING INCOME (L.28-L.29)	255,798	1,000,244	3,329,831	394,401	693,647	1,970,412	1,313,337	(255,401)	3,065,582	(1,203,546)	(214,840)	349,991
OPERATING EXPENSES & TAXES												
Federal Income Taxes	48,469	459,016	1,462,888	173,781	314,377	1,047,142	629,166	(209,347)	1,628,865	(736,432)	(199,942)	(134,846)
State and Local Income Taxes	39,779	147,422	501,162	(13,597)	90,523	319,319	185,087	(69,197)	448,723	(178,032)	(86,377)	(814,138)
Total Operating Expense	9,022,324	7,839,207	8,214,167	8,685,744	8,115,508	9,793,046	9,610,504	9,882,653	5,086,939	11,011,178	10,493,643	14,129,126
Total Operating Expense & Taxes	**9,110,572**	**8,445,645**	**10,178,217**	**8,845,928**	**8,520,408**	**11,159,507**	**10,424,757**	**9,604,109**	**7,164,327**	**10,096,714**	**10,207,324**	**13,180,142**
5280 Other Nonregulated												
	3,528,260	3,444,087	3,475,448	3,554,983	2,829,153	4,224,115	3,531,697	3,540,543	3,462,370	3,568,224	3,535,880	5,349,432
	7,468,684	7,500,523	7,563,635	7,596,620	7,885,019	9,511,844	8,851,887	8,053,581	8,128,606	7,806,375	8,026,683	8,526,925
	(2,372,780)	(2,391,922)	(2,468,599)	(2,574,589)	(2,012,320)	(3,295,064)	(2,782,328)	(2,707,853)	(2,587,728)	(2,653,949)	(2,559,816)	(2,698,497)
	750,181	963,654	290,931	722,490	714,023	1,080,840	284,984	109,462	207,443	191,444	203,477	195,980
	(8,175)	(70,453)	4,646,633	(59,175)	(201,220)	1,608,184	1,851,852	352,975	999,218	183,074	766,260	2,156,293
Total 5280 Other Nonregulated	**9,366,370**	**9,445,889**	**13,508,048**	**9,240,329**	**9,214,055**	**13,129,919**	**11,738,094**	**9,348,708**	**10,229,909**	**8,893,168**	**9,992,484**	**13,530,133**

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5280 Other Nonregulated	-36,178	-40,181	28,201	-41,504	-40,225	-33,213	-32,201	-26,668	-34,315	-26,914	-26,862	-1,739
	0	0	0	0	0	0	0	0	0	0	0	0

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
	1,877,936	2,022,595	1,911,276	2,023,730	1,982,616	2,156,418	2,064,445	1,873,197	1,978,897	1,565,429	1,692,373	839,258
	-805,092	-821,859	-802,890	-809,540	-809,081	-799,778	-798,477	-832,746	-798,753	-787,278	-789,368	-760,725
	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
Total 5280 Other Nonregulated	1,036,068	1,160,555	1,082,185	1,172,886	1,133,310	1,333,427	1,233,767	813,783	1,145,829	732,237	876,143	78,794
OPERATING EXPENSES & TAXES												
Federal Income Taxes	-358,316	-25,034	9,730	-138,069	-70,713	-242,639	1,941	-279,579	49,337	-192,905	-353,482	-859,619
State and Local Income Taxes	-146,569	49,814	4,392	-31,608	-18,655	-72,080	2,709	-78,904	20,921	-60,822	-92,087	141,007
Total Operating Expense	1,867,964	1,155,788	1,067,822	1,575,060	1,315,596	2,042,106	1,187,882	1,881,381	825,783	1,332,605	1,945,472	2,508,147
Total Operating Expense & Taxes	1,464,309	1,190,568	1,101,744	1,405,163	1,226,027	1,727,389	1,192,332	1,302,818	894,041	1,078,878	1,499,923	1,789,335

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211
BASIC LOCAL SERVICES REVENUE											
1 5001 Basic Area Revenue	60,535,586	58,870,268	58,144,338	57,315,887	55,715,358	55,376,897	55,844,718	55,754,560	55,598,613	55,484,192	55,493,132
2 5002 Optional Extended Area	5	5	5	5	5	5	5	5	5	5	5
3 5003 Cellular Mobile Services	-	-	-	-	-	-	-	-	-	-	-
4 5004 Other Mobile Services	69	69	69	69	69	69	69	69	69	69	69
5 5010 Public Telephone	-	-	-	-	-	-	-	-	-	-	-
6 5040 Local Private Line	51	51	51	51	51	51	51	51	51	51	-
7 5050 Customer Premises	10,378	7,553	6,464	4,733	8,273	9,658	5,922	6,460	8,392	8,442	10,195
8 5060 Other Local Exchange	22,675,228	22,140,367	24,239,320	22,989,552	22,448,051	24,120,106	21,435,402	21,352,488	21,562,728	21,741,659	20,099,130
9 5069 Settlements	-	-	-	-	-	-	-	-	-	-	-
10 TOTAL BASIC LOCAL SERVICES	**83,221,317**	**81,018,313**	**82,390,247**	**80,310,297**	**78,171,807**	**79,506,786**	**77,286,167**	**77,113,633**	**77,169,858**	**77,234,418**	**75,602,532**
NETWORK ACCESS SERVICE REVENUE											
11 5081 End User *	-	-	-	-	-	-	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-	-	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-	-	-	-	-	-	-
14 5084 State Access	8,477,444	8,434,413	8,897,410	8,563,334	7,879,018	7,857,016	8,099,871	8,338,977	8,181,573	7,613,316	7,299,115
15 TOTAL NETWORK ACCESS SERVICE REVENUE	**8,477,444**	**8,434,413**	**8,897,410**	**8,563,334**	**7,879,018**	**7,857,016**	**8,099,871**	**8,338,977**	**8,181,573**	**7,613,316**	**7,299,115**
LONG DISTANCE NETWORK											
16 5100 Long Distance Message	1,225,693	1,034,953	1,141,435	1,131,198	1,165,240	1,180,657	1,230,393	1,087,975	1,048,869	1,028,723	843,067
17 5110 Unidirectional Lng Distance	135,123	134,090	115,594	118,336	127,851	117,839	121,918	116,493	129,837	121,307	121,917
18 5120 Long Distance Pvt Network	409	409	409	409	409	409	409	409	409	409	-
19 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	**1,361,225**	**1,169,452**	**1,257,438**	**1,249,945**	**1,293,500**	**1,298,905**	**1,352,720**	**1,204,877**	**1,179,115**	**1,150,439**	**964,984**
MISCELLANEOUS REVENUE											
21 5230 Directory	1,373,683	1,395,821	1,381,896	1,349,836	1,257,469	972,364	1,589,554	1,573,662	1,284,900	1,692,295	1,369,366
22 5240 Rent	(2,753,125)	310,238	64,591	253,660	259,121	381,081	500,225	198,738	386,120	862,991	123,962
23 5250 Corporate Operations	470,674	400,606	1,180,750	381,235	337,662	1,300,189	374,586	7,567,801	(5,144,913)	827,916	1,605,006
24 5260 Miscellaneous	2,239,416	445,686	3,513,208	1,943,377	2,857,745	1,514,993	2,401,294	1,621,716	1,974,890	1,605,901	2,005,871
25 5280 Other Nonregulated	10,041,902	8,418,775	11,773,253	8,609,438	9,502,300	9,724,910	9,579,870	7,809,284	8,623,965	(3,142)	2,621,337
26 5270 Carrier Billing & Collection	571,264	602,346	538,443	565,608	667,713	572,786	531,092	577,115	375,529	144,836	542,477
27 TOTAL MISCELLANEOUS REVENUE	**11,943,815**	**11,573,472**	**18,451,940**	**13,103,154**	**14,862,009**	**14,466,323**	**14,976,621**	**19,348,316**	**7,500,491**	**5,130,797**	**8,268,018**
28 **TOTAL REVENUE**	**105,003,801**	**102,195,650**	**110,997,035**	**103,226,730**	**102,226,334**	**103,129,030**	**101,715,379**	**106,005,803**	**94,031,037**	**91,128,970**	**92,134,650**
29 **TOTAL OPERATING EXPENSES & TAXES**	**104,177,615**	**103,468,664**	**100,941,211**	**100,531,108**	**93,697,266**	**105,718,058**	**102,846,215**	**96,882,965**	**109,745,185**	**94,769,213**	**109,397,937**
30 **NET OPERATING INCOME** (L.28-L.29)	**826,185**	**(1,273,014)**	**10,055,824**	**2,695,622**	**8,529,068**	**(2,589,028)**	**(1,130,836)**	**9,122,838**	**(15,714,148)**	**(3,640,243)**	**(17,263,287)**

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211
INTRASTATE MR RESULTS	**200201**	**200202**	**200203**	**200204**	**200205**	**200206**	**200207**	**200208**	**200209**	**200210**	**200211**
BASIC LOCAL SERVICES REVENUE											
1 5001 Basic Area Revenue	60,535,586	58,870,268	58,144,338	57,315,887	55,715,358	55,376,897	55,844,718	55,754,560	55,598,613	55,484,192	55,493,132
2 5002 Optional Extended Area	5	5	5	5	5	5	5	5	5	5	5
3 *5003 Cellular Mobile Services*											
4 5004 Other Mobile Services	69	69	69	69	69	69	69	69	69	69	69
5 5010 Public Telephone											
6 5040 Local Private Line	51	51	51	51	51	51	51	51	51	51	-
7 5050 Customer Premises	10,378	7,553	6,464	4,733	8,273	9,658	5,922	6,460	8,392	8,442	10,196
8 5060 Other Local Exchange	22,675,228	22,140,367	24,239,320	22,989,552	22,448,051	24,120,106	21,435,402	21,352,488	21,562,728	21,741,659	20,099,130
9 5069 Settlements											
10 TOTAL BASIC LOCAL SERVICES	83,221,317	81,018,313	82,390,247	80,310,297	78,171,807	79,506,786	77,286,167	77,113,633	77,169,858	77,234,418	75,602,532
NETWORK ACCESS SERVICE REVENUE											
11 5081 End User *	-	-	-	-	-	-	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-	-	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-	-	-	-	-	-	-
14 5084 State Access	8,477,444	8,434,413	8,897,410	8,563,334	7,879,018	7,857,016	8,099,871	8,338,977	8,181,573	7,613,316	7,299,115
15 TOTAL NETWORK ACCESS SERVICE REVENUE	8,477,444	8,434,413	8,897,410	8,563,334	7,879,018	7,857,016	8,099,871	8,338,977	8,181,573	7,613,316	7,299,115
LONG DISTANCE NETWORK											
16 5100 Long Distance Message	1,225,693	1,034,953	1,141,435	1,131,198	1,165,240	1,180,657	1,230,393	1,087,975	1,048,869	1,028,723	843,067
17 5110 Unidirectional Lng Distance	135,123	134,090	115,594	118,338	127,851	117,839	121,918	116,493	129,837	121,307	121,917
18 5120 Long Distance Pvt Network	409	409	409	409	409	409	409	409	409	409	-
19 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	1,361,225	1,169,452	1,257,438	1,249,945	1,293,500	1,298,905	1,352,720	1,204,877	1,179,115	1,150,439	964,984
MISCELLANEOUS REVENUE											
21 5230 Directory	1,373,683	1,395,821	1,381,696	1,349,836	1,257,469	972,364	1,589,554	1,573,662	1,284,900	1,692,295	1,369,366
22 5240 Rent	(2,753,125)	310,238	64,591	253,660	259,121	381,081	500,225	198,738	388,120	862,991	123,962
23 5250 Corporate Operations	470,674	400,606	1,180,750	381,235	337,662	1,300,189	374,586	7,567,801	(5,144,913)	827,916	1,605,006
24 5260 Miscellaneous	2,239,416	445,686	3,513,208	1,943,377	2,857,745	1,514,993	2,401,294	1,621,716	1,974,890	1,605,901	2,005,871
25 5280 Other Nonregulated	(59,268)	(68)	59,286	(132)	(35)	237	-	1	(2)	(95)	(15)
26 5270 Carrier Billing & Collection	571,264	602,346	538,443	585,608	667,713	572,786	531,092	577,115	375,529	144,836	542,477
27 TOTAL MISCELLANEOUS REVENUE	1,842,625	3,154,629	6,737,973	4,493,584	5,379,674	4,741,650	5,396,751	11,539,033	(1,123,476)	5,133,844	5,646,667
28 **TOTAL REVENUE**	94,902,611	93,776,807	99,283,068	94,617,160	92,723,999	93,404,357	92,135,509	98,196,520	85,407,070	91,132,017	89,513,298

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211
29 TOTAL OPERATING EXPENSES & TAXES	95,663,110	95,956,708	92,478,239	93,084,004	84,955,998	98,016,574	93,199,944	92,308,436	100,703,427	91,526,871	102,972,265
30 NET OPERATING INCOME (L.28-L.29)	(760,500)	(2,179,901)	6,804,829	1,533,156	7,768,002	(4,612,217)	(1,064,435)	5,888,084	(15,296,357)	(394,654)	(13,458,967)
5100 Long Distance Message											
LD Msg Rev Interstate											
LD Msg Rev Intrastate	934,736	793,174	877,269	869,468	900,335	923,777	965,420	853,944	796,057	803,325	635,935
LD Msg Rev Interstate Toll Calling Plan											
LD Msg Rev Intrastate Toll Calling Plan	287,096	237,947	261,701	258,321	262,557	253,851	259,834	224,753	232,949	209,927	194,872
LD Msg Rev Resale Interstate											
LD Msg Rev Resale Intrastate	3,861	3,832	2,465	3,409	2,348	3,029	5,139	9,278	19,863	15,471	12,260
Total Long Distance Message	**1,225,693**	**1,034,953**	**1,141,435**	**1,131,198**	**1,165,240**	**1,180,657**	**1,230,393**	**1,087,975**	**1,048,869**	**1,028,723**	**843,067**
5110 Unidirectional Lng Distance											
	34,409	38,709	32,771	32,113	32,934	32,362	33,759	37,330	33,463	32,502	31,444
	50,701	39,388	31,907	37,341	38,106	32,517	34,396	28,580	43,579	39,628	40,177
	63	97	65	61	(28)	117	32	(39)	68	(23)	25
	21,926	24,271	20,210	20,287	22,759	23,286	23,867	24,021	25,126	22,863	23,687
	27,282	30,317	30,112	27,284	32,813	26,247	28,494	24,775	26,479	26,299	24,645
	722	1,308	529	1,252	1,247	1,323	1,370	1,826	1,122	38	1,939
	-	-	-	-	20	(13)	-	-	-	-	-
Total Unidirectional Long Distance	**135,123**	**134,090**	**115,594**	**118,338**	**127,851**	**117,839**	**121,918**	**116,493**	**129,837**	**121,307**	**121,917**
5120 Long Distance Pvt Network											
	409	409	409	409	409	409	409	409	409	409	-
Total 5120 Long Distance Pvt Network	409	409	409	409	409	409	409	409	409	409	0
5160 Other Long Distance											
Total 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-
5260 Other Nonregulated											
	-	-	-	-	(1)	1	1	-	(1)	(1)	-

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211
	(113)	(68)	111	(132)	(35)	236	(1)	1	-	(95)	(15)
	-	-	-	-	1	-	1	-	1	1	-
	(59,175)	-	59,175	-	-	-	(1)	-	(1)	-	-
	-	-	-	-	-	-	-	-	(1)	-	-
Total 5280 Other Nonregulated	**(59,288)**	**(68)**	**59,286**	(132)	(35)	**237**	-	1	(2)	(95)	(15)
OPERATING EXPENSES & TAXES											
Federal Income Taxes	(2,799,357)	(3,616,289)	552,045	(2,225,305)	1,438,004	111,136	(3,311,275)	2,911	(9,292,278)	(3,317,580)	(9,545,764)
State and Local Income Taxes	(77,421)	(77,244)	(301,313)	(192,997)	(90,122)	(290,795)	(116,583)	(47,822)	(339,947)	(412,790)	(780,462)
Total Operating Expense	98,539,889	99,650,241	92,227,508	95,502,306	83,608,115	98,196,233	96,627,802	92,353,346	110,335,652	95,257,041	113,298,491
Total Operating Expense & Taxes	**95,663,110**	**95,956,708**	**92,478,239**	**93,084,004**	**84,955,998**	**98,016,574**	**93,199,944**	**92,308,436**	**100,703,427**	**91,526,671**	**102,972,265**

PART X	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211
25 5280 Other Nonregulated	10,943,946	9,183,700	11,004,026	9,359,307	10,200,552	10,264,237	10,465,505	8,675,820	9,434,737	28,513	3,135,982
26 5270 Carrier Billing & Collection											
27 TOTAL MISCELLANEOUS REVENUE	10,943,946	9,183,700	11,004,026	9,359,307	10,200,552	10,264,237	10,465,505	8,675,820	9,434,737	28,513	3,135,982
28 TOTAL REVENUE	10,943,946	9,183,700	11,004,026	9,359,307	10,200,552	10,264,237	10,465,505	8,675,820	9,434,737	28,513	3,135,982
29 TOTAL OPERATING EXPENSES & TAXES	9,572,110	8,596,484	9,321,468	8,409,103	9,719,188	8,510,117	11,213,679	5,552,064	9,871,705	3,769,341	7,247,791
30 NET OPERATING INCOME (L 28-L 29)	1,371,836	587,216	1,682,558	950,204	481,364	1,754,120	(748,174)	3,123,756	(436,968)	(3,740,828)	(4,111,809)
OPERATING EXPENSES & TAXES											
Federal Income Taxes	697,458	252,800	807,278	423,401	160,210	1,304,192	(541,062)	1,695,084	(155,638)	(2,441,035)	(2,643,623)
State and Local Income Taxes	197,148	136,259	140,534	107,711	(28,191)	225,244	48,161	457,605	306,672	(773,716)	(911,688)
Total Operating Expense	8,677,508	8,207,425	8,373,656	7,877,991	9,587,169	6,980,681	11,706,580	3,399,375	9,720,671	6,984,092	10,803,102
Total Operating Expense & Taxes	**9,572,110**	**8,596,484**	**9,321,468**	**8,409,103**	**9,719,188**	**6,510,117**	**11,213,679**	**5,552,064**	**9,871,705**	**3,769,341**	**7,247,791**
5280 Other Nonregulated											
	3,869,634	3,701,723	3,824,545	3,760,497	3,838,682	3,785,362	3,666,962	3,522,677	3,403,767	3,386,750	3,321,321
	7,958,784	7,612,117	6,114,572	7,772,339	7,568,674	7,180,449	7,531,438	7,437,296	7,069,433	7,052,122	6,811,220
	(2,472,689)	(2,539,972)	(2,617,908)	(2,456,862)	(2,481,426)	(2,726,808)	(2,736,999)	(2,640,512)	(2,753,159)	(2,596,782)	(2,535,667)
	204,874	188,059	201,538	250,596	266,602	208,143	225,349	178,595	227,190	180,403	188,791
	1,383,343	15,773	3,481,279	32,737	1,008,020	1,817,091	1,778,755	177,764	1,467,486	(7,993,980)	(4,649,683)
Total 5280 Other Nonregulated	**10,943,946**	**9,183,700**	**11,004,026**	**9,359,307**	**10,200,552**	**10,264,237**	**10,465,505**	**8,675,820**	**9,434,737**	**28,513**	**3,135,982**

DEREG											
5280 Other Nonregulated	-29,413	-31,811	24,842	-30,597	-26,144	-20,078	-32,309	-38,133	-32,809	-422,576	-62,654
	0	0	0	0	0	0	0	0	0	0	0

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211
	1,553,375	1,578,258	2,361	1,554,708	1,487,786	1,313,935	1,678,497	1,574,914	1,508,786	1,411,238	1,454,429
	-781,206	-781,590	-736,944	-774,374	-763,425	-754,233	-760,553	-870,244	-665,207	-957,102	-877,145
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
Total 5280 Other Nonregulated	**842,758**	**784,887**	**-709,941**	**749,737**	**698,217**	**539,584**	**866,635**	**866,537**	**810,770**	**31,560**	**514,630**
OPERATING EXPENSES & TAXES											
Federal Income Taxes	-139,645	-201,563	-820,937	-134,781	-164,670	-387,872	-449,416	-32,758	-133,599	-312,978	-258,641
State and Local Income Taxes	-37,683	-75,331	-194,222	-29,064	2,249	-49,598	-204,769	-18,739	-209,048	-137,869	-197,263
Total Operating Expense	1,234,933	1,361,422	1,673,655	1,125,844	1,140,341	1,246,103	2,221,593	1,026,032	1,172,594	977,646	1,278,223
Total Operating Expense & Taxes	**1,057,605**	**1,084,528**	**658,496**	**961,999**	**977,920**	**808,633**	**1,567,408**	**977,535**	**829,947**	**526,799**	**822,119**

SCHEDULE E-5 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200212	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310
BASIC LOCAL SERVICES REVENUE											
1 5001 Basic Area Revenue	55,795,926	52,832,587	54,951,144	53,856,863	53,409,836	52,071,374	49,517,284	51,028,647	49,745,202	50,598,121	48,980,357
2 5002 Optional Extended Area	3	4	3	(7)	3	3	3	3	3	3	3
3 5003 Cellular Mobile Services	-	-	-	-	-	-	-	-	-	-	-
4 5004 Other Mobile Services	69	69	70	69	69	69	69	69	69	69	69
5 5010 Public Telephone	-	-	-	-	-	-	-	-	-	-	-
6 5040 Local Private Line	-	51	51	51	-	51	51	102	51	51	51
7 5050 Customer Premises	8,339	3,321	5,063	6,534	8,181	8,156	5,211	5,946	4,483	7,053	9,164
8 5060 Other Local Exchange	22,702,270	20,385,028	18,985,241	22,077,424	19,301,643	19,096,781	20,074,818	18,603,031	18,738,862	19,875,306	17,972,695
9 5069 Settlements	-	-	-	-	-	-	-	-	-	-	-
10 TOTAL BASIC LOCAL SERVICES	**78,506,609**	**73,221,060**	**73,941,572**	**75,940,934**	**72,719,732**	**71,176,434**	**69,597,436**	**69,637,798**	**68,488,670**	**70,480,603**	**66,962,339**
NETWORK ACCESS SERVICE REVENUE											
11 5081 End User *	-	-	-	-	-	-	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-	-	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-	-	-	-	-	-	-
14 5084 State Access	7,989,418	7,181,017	6,703,205	6,336,534	6,545,967	2,973,187	6,763,716	5,988,902	6,269,725	6,213,621	6,636,964
15 TOTAL NETWORK ACCESS SERVICE REVENUE	**7,989,418**	**7,181,017**	**6,703,205**	**6,336,534**	**6,545,967**	**2,973,187**	**6,763,716**	**5,988,902**	**6,269,725**	**6,213,621**	**6,636,964**
LONG DISTANCE NETWORK											
16 5100 Long Distance Message	855,424	1,013,947	840,948	772,872	826,694	824,798	667,975	945,537	856,224	802,909	897,498
17 5110 Unidirectional Lng Distance	105,706	129,057	118,318	107,000	125,069	107,708	105,480	117,107	106,844	97,480	94,900
18 5120 Long Distance Pvt Network	-	409	409	409	-	409	409	818	409	409	409
19 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	**961,130**	**1,143,413**	**959,675**	**880,281**	**951,763**	**932,915**	**773,864**	**1,063,462**	**963,477**	**900,798**	**992,807**
MISCELLANEOUS REVENUE											
21 5230 Directory	1,360,073	1,328,342	1,347,039	1,379,424	1,303,942	1,337,858	1,343,430	1,286,056	1,309,303	1,330,330	1,218,822
22 5240 Rent	1,335,271	3,246,141	2,038,311	(563,730)	2,928,735	1,608,872	2,741,423	2,321,731	3,177,604	3,368,074	3,248,310
23 5250 Corporate Operations	1,002,761	464,136	678,519	2,757,783	867,167	773,300	894,555	811,605	949,776	842,770	769,376
24 5260 Miscellaneous	2,732,268	2,558,535	5,719,885	775,262	1,228,855	2,169,196	2,038,838	1,944,593	1,932,452	1,651,589	1,769,126
25 5280 Other Nonregulated	7,531,632	7,084,086	7,443,039	8,435,644	7,620,748	7,594,364	7,134,487	7,785,537	6,792,088	7,169,291	6,968,899
26 5270 Carrier Billing & Collection	612,083	365,106	426,225	438,471	355,748	378,666	359,860	302,287	517,470	409,053	384,915
27 TOTAL MISCELLANEOUS REVENUE	**14,574,089**	**15,046,346**	**17,653,018**	**13,222,855**	**14,305,196**	**13,862,257**	**14,512,593**	**14,451,809**	**14,678,693**	**14,771,107**	**14,357,449**
28 **TOTAL REVENUE**	**102,031,246**	**96,591,836**	**99,257,470**	**96,380,604**	**94,522,658**	**88,944,793**	**91,647,609**	**91,139,971**	**90,400,565**	**92,366,129**	**88,949,559**
29 **TOTAL OPERATING EXPENSES & TAXES**	**86,244,323**	**99,377,269**	**93,203,116**	**102,586,090**	**97,438,451**	**95,232,175**	**101,203,188**	**96,668,818**	**101,014,063**	**98,546,881**	**97,084,179**
30 **NET OPERATING INCOME** (L.28-L.29)	**15,786,923**	**(2,785,433)**	**8,054,354**	**(6,205,486)**	**(2,915,793)**	**(8,287,382)**	**(9,555,579)**	**(5,528,847)**	**(10,613,498)**	**(6,180,751)**	**(8,134,620)**

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200212	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310
INTRASTATE MR RESULTS	**200212**	**200301**	**200302**	**200303**	**200304**	**200305**	**200306**	**200307**	**200308**	**200309**	**200310**
BASIC LOCAL SERVICES REVENUE											
1 5001 Basic Area Revenue	55,795,928	52,832,587	54,951,144	53,856,863	53,409,836	52,071,374	49,517,284	51,028,647	49,745,202	50,598,121	48,980,357
2 5002 Optional Extended Area	3	4	3	(7)	3	3	3	3	3	3	3
3 5003 Cellular Mobile Services											
4 5004 Other Mobile Services	69	69	70	69	69	69	69	69	69	69	69
5 5010 Public Telephone											
6 5040 Local Private Line	-	51	51	51	-	51	51	102	51	51	51
7 5050 Customer Premises	8,339	3,321	5,063	6,534	8,181	8,158	5,211	5,946	4,483	7,053	9,164
8 5060 Other Local Exchange	22,702,270	20,385,026	18,985,241	22,077,424	19,301,643	19,096,781	20,074,818	18,603,031	18,738,862	19,875,306	17,972,695
9 5069 Settlements											
10 TOTAL BASIC LOCAL SERVICES	78,506,609	73,221,060	73,941,572	75,940,934	72,719,732	71,176,434	69,597,436	69,637,798	68,488,670	70,480,603	66,962,339
NETWORK ACCESS SERVICE REVENUE											
11 5081 End User *	-	-	-	-	-	-	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-	-	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-	-	-	-	-	-	-
14 5084 State Access	7,989,418	7,181,017	6,703,205	6,336,534	6,545,967	2,973,187	6,763,716	5,986,902	6,269,725	6,213,621	6,636,964
15 TOTAL NETWORK ACCESS SERVICE REVENUE	7,989,418	7,181,017	6,703,205	6,336,534	6,545,967	2,973,187	6,763,716	5,986,902	6,269,725	6,213,621	6,636,964
LONG DISTANCE NETWORK											
16 5100 Long Distance Message	855,424	1,013,947	840,948	772,872	826,694	824,798	667,975	945,537	856,224	802,909	897,498
17 5110 Unidirectional Lng Distance	105,706	129,057	118,318	107,000	125,069	107,708	105,480	117,107	106,844	97,480	94,900
18 5120 Long Distance Pvt Network	-	409	409	409	-	409	409	818	409	409	409
19 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	961,130	1,143,413	959,675	880,281	951,763	932,915	773,864	1,063,462	963,477	900,798	992,807
MISCELLANEOUS REVENUE											
21 5230 Directory	1,360,073	1,328,342	1,347,039	1,379,424	1,303,942	1,337,858	1,343,430	1,286,056	1,309,303	1,330,330	1,218,822
22 5240 Rent	1,335,271	3,246,141	2,038,311	(563,730)	2,928,735	1,608,872	2,741,423	2,921,731	3,177,604	3,368,074	3,248,310
23 5250 Corporate Operations	1,002,761	464,136	678,519	2,757,783	867,167	773,300	894,555	811,605	949,776	842,770	769,376
24 5260 Miscellaneous	2,732,268	2,558,535	5,719,885	775,262	1,228,855	2,169,196	2,038,836	1,944,593	1,932,452	1,851,589	1,769,126
25 5280 Other Nonregulated	-	(233)	(1)	55	(84)	(125)	(136)	-	(418)	(145)	(25)
26 5270 Carrier Billing & Collection	612,083	365,106	426,225	438,471	355,748	378,668	359,860	302,287	517,470	409,053	384,915
27 TOTAL MISCELLANEOUS REVENUE	7,042,457	7,962,027	10,209,978	4,787,266	6,684,364	6,267,768	7,377,970	6,666,272	7,886,187	7,801,671	7,390,525
28 **TOTAL REVENUE**	94,499,614	89,507,517	91,814,430	87,945,015	86,901,826	81,350,304	84,512,986	83,354,434	83,608,059	85,196,693	81,982,635

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200212	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310
29 **TOTAL OPERATING EXPENSES & TAXES**	82,610,372	92,634,771	85,580,349	94,553,224	89,720,090	87,186,280	93,694,031	88,807,787	93,771,376	91,070,853	89,547,973
30 **NET OPERATING INCOME** (L.28-L.29)	11,889,242	(3,127,254)	6,234,081	(6,608,209)	(2,818,264)	(5,835,976)	(9,181,045)	(5,453,353)	(10,163,317)	(5,874,159)	(7,565,338)
5100 Long Distance Message											
LD Msg Rev Interstate											
LD Msg Rev Intrastate	639,578	604,532	672,895	575,080	651,533	640,167	490,615	752,393	690,038	652,259	750,670
LD Msg Rev Interstate Toll Calling Plan											
LD Msg Rev Intrastate Toll Calling Plan	204,752	198,819	157,893	190,193	170,759	179,311	173,705	182,759	165,598	150,369	146,298
LD Msg Rev Resale Interstate											
LD Msg Rev Resale Intrastate	11,094	10,596	10,160	7,599	4,402	5,320	3,655	385	588	281	330
Total Long Distance Message	**855,424**	**1,013,947**	**840,948**	**772,872**	**826,694**	**824,798**	**667,975**	**945,537**	**858,224**	**802,909**	**897,498**
5110 Unidirectional Lng Distance											
	29,775	31,862	33,433	28,467	31,537	31,549	29,271	29,242	29,368	28,013	28,347
	35,129	51,639	38,045	29,703	43,604	24,582	33,156	37,058	28,924	21,370	22,542
	(23)	1	2	1	22	(10)	-	-	1	-	2
	17,769	22,865	22,324	19,775	27,335	25,086	20,180	25,852	26,629	25,013	23,235
	23,018	20,857	23,625	27,827	21,474	25,379	22,026	24,014	20,971	21,912	19,682
	38	1,833	889	1,227	1,097	1,122	847	941	951	1,172	1,092
	-	-	-	-	-	-	-	-	-	-	-
Total Unidirectional Long Distance	**105,706**	**129,057**	**118,318**	**107,000**	**125,069**	**107,708**	**105,480**	**117,107**	**106,844**	**97,480**	**94,900**
5120 Long Distance Pvt Network											
	-	409	409	409	-	409	409	818	409	409	409
Total 5120 Long Distance Pvt Network	0	409	409	409	0	409	409	818	409	409	409
5160 Other Long Distance											
Total 5160 Other Long Distance	-	-	-	-	-	-	-	-	-	-	-
5280 Other Nonregulated											
	-	1	-	-	(1)	-	1	-	(1)	-	-

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200212	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310
	-	(204)	(1)	(45)	(81)	(126)	(137)	-	(416)	(146)	(24)
	-	-	-	-	(1)	-	-	-	-	1	-
	-	(30)	-	100	-	1	-	-	(1)	-	-
	-	-	-	-	(1)	-	-	-	-	-	(1)
Total 5280 Other Nonregulated	-	**(233)**	**(1)**	**55**	**(84)**	**(125)**	**(136)**	-	**(418)**	**(145)**	**(25)**
OPERATING EXPENSES & TAXES											
Federal Income Taxes	20,864,269	(4,600,828)	480,701	(2,740,807)	(4,401,408)	(6,015,407)	(5,008,272)	(6,162,959)	(8,674,779)	(6,505,013)	(6,046,893)
State and Local Income Taxes	(6,395,415)	(532,292)	(429,492)	(630,563)	(692,730)	(742,480)	(867,533)	(857,072)	(1,085,274)	(855,604)	976,017
Total Operating Expense	68,141,518	97,767,892	85,529,140	97,924,594	94,814,228	93,944,167	99,569,836	95,827,818	103,531,429	98,431,470	94,618,849
Total Operating Expense & Taxes	**82,610,372**	**92,634,771**	**85,580,349**	**94,553,224**	**89,720,090**	**87,186,280**	**93,694,031**	**88,807,787**	**93,771,376**	**91,070,853**	**89,547,973**

PART X

	200212	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310
26 5280 Other Nonregulated	8,234,200	7,553,868	8,072,157	9,483,534	8,752,059	8,349,018	7,683,090	8,444,224	7,669,256	7,900,339	7,671,130
26 5270 Carrier Billing & Collection											
27 TOTAL MISCELLANEOUS REVENUE	8,234,200	7,553,868	8,072,157	9,483,534	8,752,059	8,349,018	7,683,090	8,444,224	7,669,256	7,900,339	7,671,130
28 **TOTAL REVENUE**	8,234,200	7,553,868	8,072,157	9,483,534	8,752,059	8,349,018	7,683,090	8,444,224	7,669,256	7,900,339	7,671,130
29 **TOTAL OPERATING EXPENSES & TAXES**	5,253,714	7,605,673	8,544,275	9,010,513	8,839,153	8,920,805	8,568,931	8,548,680	8,417,554	8,414,667	8,485,802
30 **NET OPERATING INCOME** (L.28-L.29)	2,980,486	(51,805)	(472,118)	473,021	(87,094)	(571,787)	(885,841)	(104,456)	(748,298)	(514,328)	(814,672)
OPERATING EXPENSES & TAXES											
Federal Income Taxes	(520,563)	(119,715)	(348,751)	111,142	(151,433)	(461,199)	(832,462)	(166,550)	(679,918)	(466,883)	(949,053)
State and Local Income Taxes	167,528	(23,934)	(49,683)	21,421	(27,999)	(100,336)	(189,745)	(61,221)	(254,023)	(124,578)	(381,139)
Total Operating Expense	5,606,749	7,749,322	8,942,709	8,877,950	9,018,585	9,482,339	9,591,138	8,776,451	9,351,495	9,006,128	9,815,994
Total Operating Expense & Taxes	**5,253,714**	**7,605,673**	**8,544,275**	**9,010,513**	**8,839,153**	**8,920,805**	**8,568,931**	**8,548,680**	**8,417,554**	**8,414,667**	**8,485,802**
5280 Other Nonregulated											
	3,295,572	3,117,081	3,085,537	3,097,557	3,140,175	3,041,077	2,924,610	2,937,780	2,155,622	3,586,794	2,784,659
	7,270,642	6,555,994	6,710,697	6,413,640	6,743,874	6,385,339	5,466,215	6,242,743	5,914,591	5,658,162	5,617,479
	(2,594,835)	(2,702,722)	(2,698,371)	(2,136,223)	(2,183,850)	(2,453,988)	(2,628,430)	(2,865,598)	(2,502,283)	(2,603,945)	(2,462,450)
	173,535	183,322	159,932	181,651	161,325	163,850	160,177	168,414	140,592	145,406	132,052
	89,286	400,193	814,382	1,926,909	890,535	1,232,740	1,760,518	1,960,685	1,960,734	1,113,922	1,599,390
Total 5280 Other Nonregulated	**8,234,200**	**7,553,868**	**8,072,157**	**9,483,534**	**8,752,059**	**8,349,018**	**7,683,090**	**8,444,224**	**7,669,256**	**7,900,339**	**7,671,130**

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5280 Other Nonregulated											
	(232,848)	-4,905	-8,150	-8,720	-10,200	-7,132	-5,633	-2,933	-4,299	-3,479	-3,452
	0	0	0	0	0	0	0	0	0	0	0

SCHEDULE E-6 DETAIL

Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)

Date: May 18, 2004

	200212	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310
	1,609,179	1,365,574	1,524,460	1,213,695	1,755,294	1,397,529	1,215,248	1,345,362	1,550,386	1,394,583	1,367,958
	-873,763	-891,120	-889,193	-157,230	-613,867	-635,868	-661,148	-683,742	-669,337	-660,201	-660,300
	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0
Total 5280 Other Nonregulated	**702,588**	**469,546**	**529,117**	**1,047,945**	**1,131,227**	**754,529**	**548,497**	**658,687**	**878,750**	**730,903**	**704,206**
OPERATING EXPENSES & TAXES											
Federal Income Taxes	-1,062,892	-232,526	173,915	-82,905	1,692	-88,781	442,000	-27,656	254,023	-155,918	-317,368
State and Local Income Taxes	1,639,529	-67,182	113,282	-14,401	-4,683	-27,060	-104,449	-22,588	-110,473	-44,783	-143,902
Total Operating Expense	1,043,132	1,152,883	1,108,705	1,054,953	1,123,843	990,751	1,506,417	737,892	1,539,363	1,139,340	1,410,866
Total Operating Expense & Taxes	**1,619,769**	**853,175**	**921,508**	**977,647**	**1,120,792**	**874,910**	**1,059,774**	**687,649**	**1,174,867**	**938,639**	**949,596**

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

		200311	200312	2001 Annual	2002 Annual	2003 Annual
	BASIC LOCAL SERVICES REVENUE					
1	5001 Basic Area Revenue	49,745,835	48,250,191	747,500,525	679,929,477	614,987,441
2	5002 Optional Extended Area	3	3	(1,697)	58	27
3	5003 Cellular Mobile Services	-	-	-	-	-
4	5004 Other Mobile Services	69	69	851	828	829
5	5010 Public Telephone	-	-	-	-	-
6	5040 Local Private Line	51	51	782	510	612
7	5050 Customer Premises	2,825	9,434	119,314	94,810	75,371
8	5060 Other Local Exchange	17,380,761	15,117,336	271,112,396	267,506,301	227,608,926
9	5069 Settlements	-	-	-	-	-
10	TOTAL BASIC LOCAL SERVICES	**67,129,544**	**63,377,084**	**1,018,732,171**	**947,531,984**	**842,673,206**
	NETWORK ACCESS SERVICE REVENUE					
11	5081 End User *	-	-	-	-	-
12	5082 Switched Access *	-	-	-	-	-
13	5083 Special Access *	-	-	-	-	-
14	5084 State Access	6,184,462	4,990,741	115,571,676	97,630,905	72,786,041
15	TOTAL NETWORK ACCESS SERVICE REVENUE	**6,184,462**	**4,990,741**	**115,571,676**	**97,630,905**	**72,786,041**
	LONG DISTANCE NETWORK					
16	5100 Long Distance Message	719,984	682,663	17,678,037	12,973,627	9,852,049
17	5110 Unidirectional Lng Distance	100,677	96,470	2,162,236	1,466,013	1,306,110
18	5120 Long Distance Pvt Network	409	409	4,937	4,090	4,908
19	5160 Other Long Distance	-	-	-	-	-
20	TOTAL LONG DISTANCE NETWORK	**821,070**	**779,542**	**19,845,210**	**14,443,730**	**11,163,067**
	MISCELLANEOUS REVENUE					
21	5230 Directory	1,561,049	1,294,881	17,399,060	16,600,719	16,040,476
22	5240 Rent	3,309,394	5,964,010	12,604,676	1,922,875	33,388,876
23	5250 Corporate Operations	763,908	1,995,147	(3,838,604)	10,304,272	12,568,044
24	5260 Miscellaneous	2,379,373	(4,541,188)	34,910,961	24,856,363	19,626,517
25	5280 Other Nonregulated	6,203,922	9,178,260	115,820,329	94,233,524	89,408,365
26	5270 Carrier Billing & Collection	521,101	870,665	8,695,670	6,301,292	5,329,567
27	TOTAL MISCELLANEOUS REVENUE	**14,738,748**	**14,761,774**	**185,592,092**	**154,219,045**	**176,361,845**
28	**TOTAL REVENUE**	**88,873,824**	**83,909,141**	**1,339,741,149**	**1,213,825,664**	**1,102,984,159**
29	**TOTAL OPERATING EXPENSES & TAXES**	**96,082,198**	**86,558,047**	**1,285,679,705**	**1,208,419,760**	**1,164,994,475**
30	**NET OPERATING INCOME** (L.28-L.29)	**(7,208,374)**	**(2,648,906)**	**54,061,444**	**5,405,905**	**(62,010,316)**

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200311	200312	2001 Annual	2002 Annual	2003 Annual

INTRASTATE MR RESULTS	200311	200312	2001 Annual	2002 Annual	2003 Annual
BASIC LOCAL SERVICES REVENUE					
1 5001 Basic Area Revenue	49,745,835	48,250,191	747,500,525	679,929,477	614,987,441
2 5002 Optional Extended Area	3	3	(1,697)	58	27
3 5003 Cellular Mobile Services			-	-	-
4 5004 Other Mobile Services	69	69	851	828	829
5 5010 Public Telephone			-	-	-
6 5040 Local Private Line	51	51	782	510	612
7 5050 Customer Premises	2,825	9,434	119,314	94,610	75,371
8 5060 Other Local Exchange	17,380,761	15,117,336	271,112,396	267,506,301	227,608,926
9 5069 Settlements			-	-	-
10 TOTAL BASIC LOCAL SERVICES	67,129,544	63,377,084	1,018,732,171	947,531,984	842,673,206
NETWORK ACCESS SERVICE REVENUE					
11 5081 End User *	-	-	-	-	-
12 5082 Switched Access *	-	-	-	-	-
13 5083 Special Access *	-	-	-	-	-
14 5084 State Access	6,184,462	4,990,741	115,571,676	97,630,905	72,786,041
15 TOTAL NETWORK ACCESS SERVICE REVENUE	6,184,462	4,990,741	115,571,676	97,630,905	72,786,041
LONG DISTANCE NETWORK					
16 5100 Long Distance Message	719,984	682,663	17,678,037	12,973,627	9,852,049
17 5110 Unidirectional Lng Distance	100,677	96,470	2,162,236	1,466,013	1,306,110
18 5120 Long Distance Pvt Network	409	409	4,937	4,090	4,908
19 5160 Other Long Distance	-	-	-	-	-
20 TOTAL LONG DISTANCE NETWORK	821,070	779,542	19,845,210	14,443,730	11,163,067
MISCELLANEOUS REVENUE					
21 5230 Directory	1,561,049	1,294,881	17,399,060	16,600,719	16,040,476
22 5240 Rent	3,309,394	5,964,010	12,604,676	1,922,875	33,388,876
23 5250 Corporate Operations	763,908	1,995,147	(3,838,604)	10,304,272	12,568,044
24 5260 Miscellaneous	2,379,373	(4,541,188)	34,910,961	24,856,363	19,626,517
25 5280 Other Nonregulated	(162)	1,274	7	(111)	-
26 5270 Carrier Billing & Collection	521,101	870,665	8,695,670	6,301,292	5,329,567
27 TOTAL MISCELLANEOUS REVENUE	8,534,864	5,584,788	69,771,770	59,985,410	86,953,480
28 **TOTAL REVENUE**	82,669,740	74,732,155	1,223,920,827	1,119,592,029	1,013,575,794

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200311	200312	2001 Annual	2002 Annual	2003 Annual
29 **TOTAL OPERATING EXPENSES & TAXES**	88,742,210	78,138,358	1,184,716,582	1,123,475,748	1,073,447,302
30 **NET OPERATING INCOME** (L.28-L.29)	(6,072,470)	(3,406,203)	39,204,245	(3,883,718)	(59,871,508)
5100 Long Distance Message					
LD Msg Rev Interstate					
LD Msg Rev Intrastate	596,273	540,650	13,526,835	9,993,018	7,827,305
LD Msg Rev Interstate Toll Calling Plan					
LD Msg Rev Intrastate Toll Calling Plan	123,445	141,499	4,130,363	2,888,560	1,980,648
LD Msg Rev Resale Interstate					
LD Msg Rev Resale Intrastate	266	514	20,839	92,049	44,096
Total Long Distance Message	**719,984**	**682,663**	**17,678,037**	**12,973,627**	**9,852,049**
5110 Unidirectional Lng Distance					
	28,406	23,475	315,234	401,571	352,970
	27,299	34,451	465,739	451,449	392,373
	(1)	-	1,446	435	18
	24,620	19,804	235,232	270,072	282,718
	19,538	18,705	1,129,928	329,765	266,010
	815	35	14,578	12,714	12,021
	-	-	79	7	-
Total Unidirectional Long Distance	**100,677**	**96,470**	**2,162,236**	**1,466,013**	**1,306,110**
5120 Long Distance Pvt Network					
	409	409	4,937	4,090	4,908
Total 5120 Long Distance Pvt Network	409	409	4,937	4,090	4,908
5160 Other Long Distance					
Total 5160 Other Long Distance	-	-	-	-	-
5280 Other Nonregulated					
	-	-	1	(1)	-

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200311	200312	2001 Annual	2002 Annual	2003 Annual
	(42)	1,224	(3)	(111)	2
	-	-	7	4	-
	(120)	50	1	(2)	-
	-	-	1	(1)	(2)
Total 5280 Other Nonregulated	**(162)**	**1,274**	**7**	**(111)**	**-**
OPERATING EXPENSES & TAXES					
Federal Income Taxes	(6,390,286)	(9,320,591)	(9,470,730)	(11,139,484)	(65,386,543)
State and Local Income Taxes	(1,136,689)	(7,268,944)	(5,265,853)	(9,122,911)	(14,122,656)
Total Operating Expense	96,269,184	94,727,894	1,199,453,166	1,143,738,143	1,152,956,501
Total Operating Expense & Taxes	**88,742,210**	**78,138,358**	**1,184,716,582**	**1,123,475,748**	**1,073,447,302**

PART X	200311	200312	2001 Annual	2002 Annual	2003 Annual
25 5280 Other Nonregulated	7,042,186	9,400,073	127,637,106	100,930,525	98,020,934
26 5270 Carrier Billing & Collection			-	-	-
27 TOTAL MISCELLANEOUS REVENUE	7,042,186	9,400,073	127,637,106	100,930,525	98,020,934
28 **TOTAL REVENUE**	7,042,186	9,400,073	127,637,106	100,930,525	98,020,934
29 **TOTAL OPERATING EXPENSES & TAXES**	8,211,867	8,593,303	116,937,650	97,036,764	102,161,223
30 **NET OPERATING INCOME** (L.28-L.29)	(1,169,681)	806,770	10,699,456	3,893,761	(4,140,289)
OPERATING EXPENSES & TAXES					
Federal Income Taxes	(1,091,712)	946,268	4,482,937	(961,500)	(4,210,266)
State and Local Income Taxes	(563,942)	(438,625)	570,674	73,267	(2,193,803)
Total Operating Expense	9,867,521	8,085,660	111,884,039	97,924,997	108,565,292
Total Operating Expense & Taxes	**8,211,867**	**8,593,303**	**116,937,650**	**97,036,764**	**102,161,223**
5280 Other Nonregulated					
	2,760,379	2,722,305	44,042,192	43,377,512	35,353,575
	5,519,401	4,807,465	96,720,582	87,599,086	72,015,600
	(2,484,829)	(55,600)	(31,086,041)	(31,147,619)	(27,778,289)
	137,529	126,242	5,714,909	2,493,675	1,860,492
	1,109,707	1,799,661	12,245,464	(1,392,129)	16,569,556
Total 5280 Other Nonregulated	**7,042,186**	**9,400,073**	**127,637,106**	**100,930,525**	**98,020,934**

DEREG					
5280 Other Nonregulated					
	-4,475	-683	-365,199	-734,730	-62,261
	0	0	0	0	0

SCHEDULE E-6 DETAIL
Comparative Departmental Operating Income Statement
QWEST CORPORATION
Arizona Intrastate Operations
MR Income Statement Plus JD Entries
(In Whole Dollars)
Date: May 18, 2004

	200311	200312	2001 Annual	2002 Annual	2003 Annual
	1,509,916	861,510	21,797,570	16,827,466	16,501,715
	-667,339	-637,540	-9,615,587	-9,395,846	-7,826,885
	0	0	0	0	0
	0	0	0	0	0
Total 5280 Other Nonregulated	**838,192**	**223,067**	**11,818,784**	**6,696,890**	**8,612,569**
OPERATING EXPENSES & TAXES					
Federal Income Taxes	782,057	273,787	2,359,548	4,099,952	1,561,549
State and Local Income Taxes	111,278	-234,426	-281,132	491,166	888,499
Total Operating Expense	1,085,212	134,273	18,616,207	15,701,518	13,064,498
Total Operating Expense & Taxes	**971,876**	**173,614**	**15,974,627**	**12,092,752**	**10,614,050**

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule E-7
Title: Operating Statistics

Date: May 18, 2004

	A	B	C
	Dec 31 2001	Dec 31 2002	Test Year Dec 31 2003
Access Lines (Average)	3,011,521	2,881,696	2,722,739
Revenue per Access Line (per month)	$ 37.07	$ 35.10	$ 33.76
Intrastate Intralata Toll Messages (000)	25,475	21,648	17,339
Net Plant in Service per Access Line	$ 763.43	$ 804.95	$ 929.21

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule E-8
Title: Comparative Taxes Charged to Operations

Date: May 18, 2004

	Description	Year End at Dec 31 2001	Year End at Dec 31 2002	End of Test Year at Dec 31 2003
1	7210.1 Investment Credits Realized			
2	7210.2 Amortization of Investment Credits			
3	7220 FIT Current	(6,032)	11,815	(31,078)
4	7250.1 Federal Originating Timing Differences	5,883	(17,859)	(34,893)
5	7250.2 Federal Reversing Timing Differences	(7,577)	(9,359)	(8,620)
6	7250.71 FIT Allocation Adjustment			
7	Total Federal Income Tax (-L1-L2+L3+L4+5+6)	(7,726)	(15,403)	(74,591)
8	7230 SIT & LIT	3,163	(181)	(6,808)
9	7250.3 &.5 St & Loc Originating Timing Diff			
10	7250.4 St & Loc Reversing Timing Diff			
11	7250.72 SIT Allocation Adjustment			
12	Total State & Local Taxes (L8 thru 11)	3,163	(181)	(6,808)
13	7240.7 Federal Superfund Taxes			
14	Total Operating Taxes (L7+L12+L13)	(4,563)	(15,585)	(81,399)

Supporting Schedule:
None

Recap Sechedule:
E-2

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description	200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
1 7210.1 Investment Credits Realized	-	-	-	-	-	-	-	-	-	-	-	-
2 7210.2 Amortization of Investment Credits	-	-	-	-	-	-	-	-	-	-	-	-
3 7220 FIT Current	(1,585,929)	3,272,195	3,706,186	1,359,486	2,098,317	10,959,054	5,927,083	975,415	5,324,505	(3,476,399)	4,042,675	(38,634,648)
4 7250.1 Federal Originating Timing Differences	(1,407,485)	2,856,988	(3,852,355)	(906,756)	(2,408,108)	(5,234,578)	(2,284,568)	(2,283,732)	(630,997)	(293,927)	(3,431,196)	25,759,564
5 7250.2 Federal Reversing Timing Differences	(644,236)	441,876	(966,075)	(604,701)	(718,687)	(751,059)	(641,204)	(651,446)	(227,558)	(215,346)	(882,976)	(1,715,371)
6 7250.71 FIT Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)	(3,637,650)	6,571,059	(1,112,244)	(151,971)	(1,028,478)	4,973,417	3,001,311	(1,959,763)	4,465,950	(3,985,672)	(271,497)	(14,590,455)
8 7230 SIT & LIT	489,750	656,782	1,119,585	353,883	692,095	1,850,766	1,405,529	736,510	1,495,418	270,117	972,681	(6,880,380)
9 7250.3 &.5 St & Loc Originating Timing Diff	-	-	-	-	-	-	-	-	-	-	-	-
10 7250.4 St & Loc Reversing Timing Diff	-	-	-	-	-	-	-	-	-	-	-	-
11 7250.72 SIT Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
12 Total State & Local Taxes (L8 thru 11)	489,750	656,782	1,119,585	353,883	692,095	1,850,766	1,405,529	736,510	1,495,418	270,117	972,681	(6,880,380)
13 7240.7 Federal Superfund Taxes	-	-	-	-	-	-	-	-	-	-	-	-
14 Total Operating Taxes (L7+L12+L13)	(3,147,900)	7,227,841	7,341	201,912	(336,383)	6,824,183	4,406,840	(1,223,253)	5,961,368	(3,715,555)	701,184	(21,470,835)

INTRASTATE	1990 String	200,101	200,102	200,103	200,104	200,105	200,106	200,107	200,108	200,109	200,110	200,111	200,112
1 7210.1 Investment Credits Realized	7210.1____												
2 7210.2 Amortization of Investment Credits	7210.2____												
3 7220 FIT Current	7220_____	-1,851,435	2,942,943	2,620,645	1,131,079	1,790,548	9,531,178	5,418,574	905,353	4,178,686	-3,007,328	3,810,188	-37,588,642
4 7250.1 Federal Originating Timing Differences	7250.1____	-1,470,410	2,681,287	-4,238,906	-1,011,826	-2,506,832	-5,116,153	-2,425,485	-2,306,025	-1,088,943	-243,448	-3,376,325	23,965,352
5 7250.2 Federal Reversing Timing Differences	7250.2____	-659,092	400,395	-1,070,829	-607,798	-743,000	-752,585	-672,461	-651,954	-350,776	-197,246	-865,046	-1,634,795
6 7250.71 FIT Allocation Adjustment	7250.71___												
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**-3,980,937**	**6,024,625**	**-2,689,092**	**-488,545**	**-1,459,284**	**3,652,440**	**2,320,628**	**-2,052,626**	**2,738,967**	**-3,448,022**	**-431,183**	**-15,258,085**
8 7230 SIT & LIT	7230_____	319,468	600,655	727,569	338,769	607,030	1,470,893	1,254,406	727,251	1,190,834	369,227	949,041	-6,005,811
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0	0	0	0	0	0	0	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____												

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description		200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
11 7250.72 SIT Allocation Adjustment	7250.72___												
12 Total State & Local Taxes (L8 thru 11)		319,468	600,655	727,569	338,769	607,030	1,470,893	1,254,408	727,251	1,190,834	369,227	949,041	-6,005,611
13 7240.7 Federal Superfund Taxes	7240.7____												
14 Total Operating Taxes (L7+L12+L13)		-3,661,469	6,625,280	-1,961,523	-149,776	-852,254	5,123,333	3,575,036	-1,325,375	3,929,801	-3,078,795	517,858	-21,263,896
7250.3 &.5 St & Loc Originating Timing Diff													
15 7250.3 St & Loc Originating Timing Diff	7250.3____												
16 7250.5 St & Loc Originating Timing Diff	7250.5____												
17 **Total**		0	0	0	0	0	0	0	0	0	0	0	0
PART X													
1 7210.1 Investment Credits Realized	7210.1____												
2 7210.2 Amortization of Investment Credits	7210.2____												
3 7220 FIT Current	7220_____	7,190	304,218	1,095,271	90,318	237,056	1,185,237	510,450	-209,517	1,195,156	-661,976	-120,975	-1,905,825
4 7250.1 Federal Originating Timing Differences	7250.1____	62,925	175,701	386,553	105,070	98,724	-118,425	140,917	22,293	457,946	-50,479	-54,871	1,794,212
5 7250.2 Federal Reversing Timing Differences	7250.2____	14,856	41,481	104,754	3,097	24,313	11,526	31,257	508	123,218	-18,100	-17,930	-80,576
6 7250.71 FIT Allocation Adjustment	7250.71___												
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**84,971**	**521,400**	**1,586,578**	**198,485**	**360,093**	**1,078,338**	**682,624**	**-186,716**	**1,776,320**	**-730,555**	**-193,776**	**-192,189**
8 7230 SIT & LIT	7230_____	24,923	105,941	396,408	-16,694	66,210	307,793	153,830	-69,705	325,505	-159,932	-68,447	-733,562
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0	0	0	0	0	0	0	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____												
11 7250.72 SIT Allocation Adjustment	7250.72___												
12 Total State & Local Taxes (L8 thru 11)		24,923	105,941	396,408	-16,694	66,210	307,793	153,830	-69,705	325,505	-159,932	-68,447	-733,562
13 7240.7 Federal Superfund Taxes	7240.7____												
14 Total Operating Taxes (L7+L12+L13)		109,894	627,341	1,982,986	181,791	426,303	1,386,131	836,454	-256,421	2,101,825	-890,467	-262,223	-925,751
7250.3 &.5 St & Loc Originating Timing Diff													
15 7250.3 St & Loc Originating Timing Diff	7250.3____												

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

	Description		200101	200102	200103	200104	200105	200106	200107	200108	200109	200110	200111	200112
16	7250.5 St & Loc Originating Timing Diff	7250.5____												
17	**Total**		0	0	0	0	0	0	0	0	0	0	0	0
	DEREG													
3	7220 FIT Current	28 FEDERAL TAX	-258,316	-25,034	9,730	-138,089	-70,713	-242,639	1,941	-279,579	49,337	-192,905	-353,462	-859,819
8	7230 SIT & LIT	29 STATE & LOC	-145,359	49,814	4,392	-31,808	-18,655	-72,080	2,709	-78,964	20,921	-60,822	-92,087	141,007

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description	200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211	200212
1 7210.1 Investment Credits Realized	-	-	-	-	-	-	-	-	-	-	-	-
2 7210.2 Amortization of Investment Credits	-	-	-	-	-	-	-	-	-	-	-	-
3 7220 FIT Current	(741,100)	(1,810,287)	7,881,337	33,743	(100,151)	(1,635,353)	(3,296,488)	2,547,905	5,447,446	(2,834,202)	(9,642,123)	15,964,344
4 7250.1 Federal Originating Timing Differences	(1,013,102)	(1,143,432)	(5,503,162)	(1,492,542)	1,851,101	3,602,884	57,486	(653,473)	(14,597,851)	(2,447,932)	(2,124,584)	5,605,861
5 7250.2 Federal Reversing Timing Differences	(368,622)	(425,912)	(626,181)	(507,805)	(460,639)	(34,331)	(953,500)	(474,524)	(647,013)	(823,546)	(1,019,776)	(3,017,491)
6 7250.71 FIT Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)	(2,122,824)	(3,379,631)	1,751,994	(1,966,604)	1,290,311	1,933,200	(4,192,502)	1,419,908	(9,797,418)	(6,105,680)	(12,786,483)	18,552,714
8 7230 SIT & LIT	526,032	560,258	659,624	451,583	340,077	18,378	1,089,847	900,046	822,786	(225,091)	(475,111)	(4,849,919)
9 7250.3 &.5 St & Loc Originating Timing Diff	-	-	-	-	-	-	-	-	-	-	-	-
10 7250.4 St & Loc Reversing Timing Diff	-	-	-	-	-	-	-	-	-	-	-	-
11 7250.72 SIT Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
12 Total State & Local Taxes (L8 thru 11)	526,032	560,258	659,624	451,583	340,077	18,378	1,089,847	900,046	822,786	(225,091)	(475,111)	(4,849,919)
13 7240.7 Federal Superfund Taxes	-	-	-	-	-	-	-	-	-	-	-	-
14 Total Operating Taxes (L7+L12+L13)	(1,596,792)	(2,819,373)	2,411,618	(1,515,021)	1,630,388	1,951,578	(3,102,655)	2,319,954	(8,974,632)	(6,330,771)	(13,261,594)	13,702,795

INTRASTATE	1990 String	200,201	200,202	200,203	200,204	200,205	200,206	200,207	200,208	200,209	200,210	200,211	200,212
1 7210.1 Investment Credits Realized	7210.1____												
2 7210.2 Amortization of Investment Credits	7210.2____												
3 7220 FIT Current	7220_____	-1,281,372	-2,087,187	6,218,043	-364,052	-209,417	-2,544,398	-3,152,309	1,524,410	4,317,585	-1,389,268	-8,055,968	15,238,503
4 7250.1 Federal Originating Timing Differences	7250.1____	-1,331,584	-1,343,608	-5,452,516	-1,675,882	1,619,091	2,797,597	-16,037	-1,378,146	-13,467,232	-1,784,173	-1,346,523	5,769,574
5 7250.2 Federal Reversing Timing Differences	7250.2____	-443,811	-473,171	-721,258	-547,322	-433,600	-217,941	-848,155	-600,904	-651,936	-611,204	-764,160	-3,118,193
6 7250.71 FIT Allocation Adjustment	7250.71___												
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**-3,056,767**	**-3,903,966**	**44,269**	**-2,587,256**	**976,074**	**35,258**	**-4,016,501**	**-454,640**	**-9,801,582**	**-3,784,645**	**-10,166,651**	**17,889,878**
8 7230 SIT & LIT	7230_____	366,390	395,927	419,945	354,325	343,478	-72,854	731,572	553,082	311,989	198,414	-16,302	-3,277,216
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0	0	0	0	0	0	0	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____												

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description		200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211	200212
11 7250.72 SIT Allocation Adjustment	7250.72___												
12 Total State & Local Taxes (L8 thru 11)		366,390	395,927	419,945	354,325	343,478	-72,854	731,572	553,082	311,989	198,414	-16,302	-3,277,216
13 7240.7 Federal Superfund Taxes	7240.7____												
14 Total Operating Taxes (L7+L12+L13)		-2,690,377	-3,508,039	464,214	-2,232,931	1,319,552	-37,596	-3,284,929	98,442	-9,489,593	-3,586,231	-10,182,953	14,612,662
7250.3 &.5 St & Loc Originating Timing Diff													
15 7250.3 St & Loc Originating Timing Diff	7250.3____												
16 7250.5 St & Loc Originating Timing Diff	7250.5____												
17 **Total**		0	0	0	0	0	0	0	0	0	0	0	0
PART X													
1 7210.1 Investment Credits Realized	7210.1____												
2 7210.2 Amortization of Investment Credits	7210.2____												
3 7220 FIT Current	7220_____	400,627	75,337	842,357	263,014	-55,404	521,173	-593,595	990,737	996,261	-1,757,912	-1,844,996	-337,051
4 7250.1 Federal Originating Timing Differences	7250.1____	318,482	200,176	-50,646	183,340	232,010	805,287	73,523	724,673	-1,130,619	-663,759	-778,061	-163,713
5 7250.2 Federal Reversing Timing Differences	7250.2____	75,189	47,259	95,077	39,517	-27,039	183,610	-105,345	126,380	4,923	-212,342	-255,616	100,708
6 7250.71 FIT Allocation Adjustment	7250.71___												
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**794,298**	**322,772**	**886,788**	**485,871**	**149,567**	**1,510,070**	**-625,417**	**1,841,790**	**-129,435**	**-2,634,013**	**-2,878,673**	**-400,056**
8 7230 SIT & LIT	7230_____	121,959	89,000	45,457	68,194	-1,152	41,634	153,506	331,225	301,749	-561,374	-656,072	66,820
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0	0	0	0	0	0	0	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____												
11 7250.72 SIT Allocation Adjustment	7250.72___												
12 Total State & Local Taxes (L8 thru 11)		121,959	89,000	45,457	68,194	-1,152	41,634	153,506	331,225	301,749	-561,374	-656,072	66,820
13 7240.7 Federal Superfund Taxes	7240.7____												
14 Total Operating Taxes (L7+L12+L13)		916,257	411,772	932,245	554,065	148,415	1,551,704	-471,911	2,173,015	172,314	-3,195,387	-3,534,745	-333,236
7250.3 &.5 St & Loc Originating Timing Diff													
15 7250.3 St & Loc Originating Timing Diff	7250.3____												

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

	Description		200201	200202	200203	200204	200205	200206	200207	200208	200209	200210	200211	200212
16	7250.5 St & Loc Originating Timing Diff	7250.5____												
17	**Total**		0	0	0	0	0	0	0	0	0	0	0	0
	DEREG													
3	7220 FIT Current	28 FEDERAL TAX	-139,645	-201,563	-820,937	-134,781	-164,670	-387,872	-449,416	-32,758	-133,599	-312,978	-258,841	-1,062,892
8	7230 SIT & LIT	29 STATE & LOC	-37,683	-75,331	-194,222	-29,054	2,249	-49,598	-204,769	-15,739	-209,048	-137,869	-197,263	1,639,523

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description	200301	200302	200303	200304	200305	200306	200307	200308	200309	200310	200311	200312
1 7210.1 Investment Credits Realized	-	-	-	-	-	-	-	-	-	-	-	-
2 7210.2 Amortization of Investment Credits	-	-	-	-	-	-	-	-	-	-	-	-
3 7220 FIT Current	(2,123,306)	3,053,986	199,746	(1,739,904)	(3,726,106)	(2,449,336)	(3,582,027)	(6,346,760)	(4,063,488)	(4,783,027)	(5,216,680)	(301,034)
4 7250.1 Federal Originating Timing Differences	(2,200,156)	(2,583,208)	(2,601,534)	(2,649,707)	(2,496,618)	(2,784,254)	(2,554,651)	(2,588,841)	(2,504,005)	(1,730,837)	(2,017,731)	(8,181,536)
5 7250.2 Federal Reversing Timing Differences	(610,932)	(670,624)	(705,844)	(748,863)	(784,684)	(920,483)	(838,475)	(1,066,216)	(930,268)	1,221,221	(1,128,391)	(1,438,327)
6 7250.71 FIT Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)	(4,934,394)	(199,846)	(3,107,632)	(5,136,474)	(7,007,408)	(6,154,073)	(6,975,153)	(10,001,817)	(7,497,761)	(5,292,643)	(8,362,802)	(9,920,897)
8 7230 SIT & LIT	111,888	204,731	111,103	30,817	(31,071)	(32,352)	(57,230)	(162,608)	(5,131)	(482,441)	(460,964)	(6,034,816)
9 7250.3 &.5 St & Loc Originating Timing Diff	-	-	-	-	-	-	-	-	-	-	-	-
10 7250.4 St & Loc Reversing Timing Diff	-	-	-	-	-	-	-	-	-	-	-	-
11 7250.72 SIT Allocation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
12 Total State & Local Taxes (L8 thru 11)	111,888	204,731	111,103	30,817	(31,071)	(32,352)	(57,230)	(162,608)	(5,131)	(482,441)	(460,964)	(6,034,816)
13 7240.7 Federal Superfund Taxes	-	-	-	-	-	-	-	-	-	-	-	-
14 Total Operating Taxes (L7+L12+L13)	(4,822,506)	4,885	(2,996,529)	(5,105,657)	(7,038,479)	(6,186,425)	(7,032,383)	(10,164,425)	(7,502,892)	(5,775,084)	(8,823,766)	(15,955,713)

INTRASTATE	1990 String	200,301	200,302	200,303	200,304	200,305	200,306	200,307	200,308	200,309	200,310	200,311	200,312
1 7210.1 Investment Credits Realized	7210.1____												
2 7210.2 Amortization of Investment Credits	7210.2____												
3 7220 FIT Current	7220_____	-2,293,782	3,160,871	24,817	-1,644,798	-3,496,071	-2,315,582	-3,551,277	-6,277,059	-4,006,413	-3,976,481	-4,760,657	-429,018
4 7250.1 Federal Originating Timing Differences	7250.1____	-2,165,421	-2,539,155	-2,625,262	-2,615,719	-2,379,128	-2,552,316	-2,471,908	-2,257,506	-2,286,655	-1,929,298	-1,470,850	-8,753,426
5 7250.2 Federal Reversing Timing Differences	7250.2____	-597,788	-653,955	-714,829	-734,003	-740,223	-832,711	-807,168	-940,831	-846,019	1,269,783	-881,626	-1,588,192
6 7250.71 FIT Allocation Adjustment	7250.71___												
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**-5,056,991**	**-32,239**	**-3,315,294**	**-4,994,520**	**-6,615,422**	**-5,700,609**	**-6,830,353**	**-9,475,396**	**-7,141,087**	**-4,835,996**	**-7,133,133**	**-10,770,636**
8 7230 SIT & LIT	7230_____	65,496	224,463	84,256	41,273	-2,257	-34,822	-49,904	-144,443	-7,585	-293,766	-255,063	-5,680,752
9 7250.3 & 5 St & Loc Originating Timing Diff	L17	0	0	0	0	0	0	0	0	0	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____												

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description		200301	200302	200303	200304	200305	200306	200307	200308	200309	200310	200311	200312
11 7250.72 SIT Allocation Adjustment	7250.72___												
12 Total State & Local Taxes (L8 thru 11)		65,496	224,463	84,266	41,273	-2,257	-34,822	-49,904	-144,443	-7,585	-293,766	-255,063	-5,680,752
13 7240.7 Federal Superfund Taxes	7240.7____												
14 Total Operating Taxes (L7+L12+L13)		-4,991,495	192,224	-3,231,028	-4,953,247	-6,617,679	-5,735,431	-6,880,257	-9,619,839	-7,148,672	-4,929,762	-7,388,196	-16,451,388
7250.3 &.5 St & Loc Originating Timing Diff													
15 7250.3 St & Loc Originating Timing Diff	7250.3____												
16 7250.5 St & Loc Originating Timing Diff	7250.5____												
17 **Total**		0	0	0	0	0	0	0	0	0	0	0	0
PART X													
1 7210.1 Investment Credits Realized	7210.1____												
2 7210.2 Amortization of Investment Credits	7210.2____												
3 7220 FIT Current	7220_____	-82,050	-280,800	112,024	-93,474	-318,816	-575,954	-58,405	-323,724	-212,993	-1,123,914	-518,080	401,751
4 7250.1 Federal Originating Timing Differences	7250.1____	-34,735	-44,053	23,748	-33,988	-117,490	-231,938	-82,743	-331,335	-217,350	198,461	-546,881	571,890
5 7250.2 Federal Reversing Timing Differences	7250.2____	-13,144	-16,669	8,985	-12,860	-44,461	-87,772	-31,307	-125,385	-82,249	-48,562	-246,765	149,865
6 7250.71 FIT Allocation Adjustment	7250.71___												
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**-109,929**	**-341,522**	**144,757**	**-140,322**	**-480,767**	**-895,664**	**-172,455**	**-780,444**	**-512,592**	**-974,015**	**-1,311,726**	**1,123,506**
8 7230 SIT & LIT	7230_____	-10,790	-33,014	12,436	-15,139	-55,874	-101,973	-29,914	-128,638	-42,329	-332,577	-317,177	-568,490
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0	0	0	0	0	0	0	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____												
11 7250.72 SIT Allocation Adjustment	7250.72___												
12 Total State & Local Taxes (L8 thru 11)		-10,790	-33,014	12,436	-15,139	-55,874	-101,973	-29,914	-128,638	-42,329	-332,577	-317,177	-568,490
13 7240.7 Federal Superfund Taxes	7240.7____												
14 Total Operating Taxes (L7+L12+L13)		-120,719	-374,536	157,193	-155,461	-536,641	-997,637	-202,369	-909,082	-554,921	-1,306,592	-1,628,903	535,016
7250.3 &.5 St & Loc Originating Timing Diff													
15 7250.3 St & Loc Originating Timing Diff	7250.3____												

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

	Description		200301	200302	200303	200304	200305	200306	200307	200308	200309	200310	200311	200312
16	7250.5 St & Loc Originating Timing Diff	7250.5____												
17	**Total**		0	0	0	0	0	0	0	0	0	0	0	0
	DEREG													
3	7220 FIT Current	28 FEDERAL TAX	-232,526	-173,915	-62,905	1,632	-88,781	-442,200	-27,655	-254,023	-155,918	-317,368	-82,057	273,767
8	7230 SIT & LIT	29 STATE & LOC	-57,182	-13,282	-14,401	-4,683	-27,060	-104,443	-22,588	-110,473	-44,783	-143,902	-111,276	-234,428

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description	2001 Annual	2002 Annual	2003 Annual
1 7210.1 Investment Credits Realized	-	-	-
2 7210.2 Amortization of Investment Credits	-	-	-
3 7220 FIT Current	(6,032,060)	11,815,071	(31,077,936)
4 7250.1 Federal Originating Timing Differences	5,882,850	(17,858,746)	(34,893,078)
5 7250.2 Federal Reversing Timing Differences	(7,576,783)	(9,359,340)	(8,619,886)
6 7250.71 FIT Allocation Adjustment	-	-	-
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)	(7,725,993)	(15,403,015)	(74,590,900)
8 7230 SIT & LIT	3,162,736	(181,490)	(6,808,074)
9 7250.3 &.5 St & Loc Originating Timing Diff	-	-	-
10 7250.4 St & Loc Reversing Timing Diff	-	-	-
11 7250.72 SIT Allocation Adjustment	-	-	-
12 Total State & Local Taxes (L8 thru 11)	3,162,736	(181,490)	(6,808,074)
13 7240.7 Federal Superfund Taxes	-	-	-
14 Total Operating Taxes (L7+L12+L13)	(4,563,257)	(15,584,505)	(81,398,974)

INTRASTATE	1990 String	2001 Annual	2002 Annual	2003 Annual
1 7210.1 Investment Credits Realized	7210.1____	-	-	-
2 7210.2 Amortization of Investment Credits	7210.2____	-	-	-
3 7220 FIT Current	7220_____	(10,118,211)	8,214,571	(29,585,450)
4 7250.1 Federal Originating Timing Differences	7250.1____	2,862,284	(17,809,439)	(34,046,664)
5 7250.2 Federal Reversing Timing Differences	7250.2____	(7,815,187)	(9,431,661)	(8,069,562)
6 7250.71 FIT Allocation Adjustment	7250.71___	-	-	-
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**-15,071,114**	**-18,826,529**	**-71,701,676**
8 7230 SIT & LIT	7230_____	2,549,334	308,750	(6,053,094)
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____			

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

Description		2001 Annual	2002 Annual	2003 Annual
11 7250.72 SIT Allocation Adjustment	7250.72___			
12 Total State & Local Taxes (L8 thru 11)		2,549,334	308,750	-6,053,094
13 7240.7 Federal Superfund Taxes	7240.7____			
14 Total Operating Taxes (L7+L12+L13)		-12,521,780	-18,517,779	-77,754,770
7250.3 &.5 St & Loc Originating Timing Diff				
15 7250.3 St & Loc Originating Timing Diff	7250.3____	-	-	-
16 7250.5 St & Loc Originating Timing Diff	7250.5____	-	-	-
17 **Total**		0	0	0
PART X				
1 7210.1 Investment Credits Realized	7210.1____	-	-	-
2 7210.2 Amortization of Investment Credits	7210.2____	-	-	-
3 7220 FIT Current	7220_____	1,726,603	(499,452)	(3,054,435)
4 7250.1 Federal Originating Timing Differences	7250.1____	3,020,566	(249,307)	(846,414)
5 7250.2 Federal Reversing Timing Differences	7250.2____	238,404	72,321	(550,324)
6 7250.71 *FIT Allocation Adjustment*	7250.71___	-	-	-
7 Total Federal Income Tax (-L1-L2+L3+L4+5+6)		**4,985,573**	**-676,438**	**-4,451,173**
8 7230 SIT & LIT	7230_____	332,270	946	(1,643,479)
9 7250.3 &.5 St & Loc Originating Timing Diff	L17	0	0	0
10 7250.4 St & Loc Reversing Timing Diff	7250.4____	-	-	-
11 7250.72 SIT Allocation Adjustment	7250.72___	-	-	-
12 Total State & Local Taxes (L8 thru 11)		332,270	946	-1,643,479
13 7240.7 Federal Superfund Taxes	7240.7____	-	-	-
14 Total Operating Taxes (L7+L12+L13)		5,317,843	-675,492	-6,094,652
7250.3 &.5 St & Loc Originating Timing Diff				
15 7250.3 St & Loc Originating Timing Diff	7250.3____	-	-	-

SCHEDULE E-8 DETAIL
COMPARATIVE TAXES CHARGES TO OPERATIONS
QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
In Whole Dollars

Date: May 18, 2004

	Description		2001 Annual	2002 Annual	2003 Annual
16	7250.5 St & Loc Originating Timing Diff	7250.5____	-	-	-
17	**Total**		0	0	0
	DEREG				
3	7220 FIT Current	28 FEDERAL TAX	(2,359,548)	(4,099,952)	(1,561,949)
8	7230 SIT & LIT	29 STATE & LOC	(281,132)	491,186	(888,499)

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible into cash and are not subject to significant risk from fluctuations in interest rates.

Inventories and Supplies - New and reusable materials of the Company are carried at average cost, except for significant individual items that are valued based on specific costs. Nonreusable material is carried at its estimated salvage value.

Property, Plant and Equipment - The investment in property, plant and equipment is carried at cost less accumulated depreciation. Additions, replacements and substantial betterments are capitalized.

Costs for normal repair and maintenance of property, plant and equipment are expensed as incurred.

The Company provides for depreciation of property, plant and equipment using various straight-line group methods and remaining useful (economic) lives authorized by regulatory commissions. When the depreciable property, plant and equipment of the Company is retired or sold, the original cost less the net salvage value is generally charged to accumulated depreciation.

Revenue Recognition - Local telephone service revenues are generally billed monthly in advance. These revenues are recognized when services are provided, generally the following month. Nonrecurring and usage sensitive revenues derived from installation, exchange access, and long-distance network services are billed and recognized monthly as services are provided.

Income Taxes - The provision for income taxes consists of an amount for taxes currently payable and an amount for tax consequences deferred to future periods. For financial statement purposes, investment tax credits are being amortized over the economic lives of the related property, plant and equipment in accordance with the deferred method of accounting for such credits.

Employee Benefits

Pension Plan - The company participates in a defined benefit pension plan sponsored by U S WEST Which covers substantially all management and occupational employees. Management benefits are based on a final pay formula while occupational benefits are based on a flat benefit formula. The projected unit credit method is used for the determination of pension cost for financial reporting purposes and the aggregate cost method for funding purposes. The Company's policy is to fund amounts required under the Employee Retirement Income Security Act of 1974 and no funding was required in 1997 or 1996.

Postretirement Benefits Other Than Pensions - The Company participates in plans sponsored by U S WEST which provide certain health care and life insurance benefits to retired employees. In conjunction with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," U S WEST immediately recognized the accumulated post retirement benefit obligation for current and future retirees. However the FCC and certain state jurisdictions permit amortization of the transition obligation over the average remaining service period of active employees for regulatory accounting purposes, with most jurisdictions requiring funding as a stipulation for rate recovery.

The Company uses the projected unit credit method for the determination of postretirement medical and life costs for financial reporting purposes. The amount funded by the Company is based on regulatory accounting requirements.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule F-1
Title: Projected Income Statements
Present and Proposed
Date: May 18, 2004

Description	A Test Year Ended Dec 31 2003 (a)	B Projected Year Dec 31 2005 Present Rates (b)
1 Local Service Revenues	775,134	729,880
2 Network Access Service Revenues	65,547	72,682
3 Long Distance Network Service Rev.	8,586	5,671
4 Miscellaneous	261,801	259,922
5 Total Oper. Rev. (L.1 thru L.4)	1,111,068	1,068,155
6 Maintenance	246,117	246,117
7 Engineering Expense	10,519	10,519
8 Network Operations	69,967	69,967
9 Network Administration	1,681	1,681
10 Access Expense	9,041	9,041
11 Other	555	555
12 Total Cost of Services & Product (L.6 thru L.11)	337,879	337,879
13 Customer Operations	188,545	188,545
14 Corporate Operations	202,806	202,806
15 Property & Other Taxes	67,424	67,424
16 Uncollectibles	19,634	21,380
17 Tot Selling, General & Admin. (L.13 thru L.16)	478,408	480,155
18 Other Oper. Inc. & Expense	(44)	(44)
19 Depreciation Expense	364,079	364,079
20 Universal Service Fund		
21 Link Up America	(2)	(2)
22 Total Operating Expense (L.12+L.17+L.18+L.19+L.20+L.21)	1,180,320	1,182,067
23 Income From Operations (L.5-22)	(69,252)	(113,912)
24 Federal Income Tax	(52,028)	(66,641)
25 State & Local Income Tax	(12,170)	(15,079)
26 Net Operating Income (L.23-24-25)	(5,054)	(32,192)
27 Nonoperating Income & Expense	63,114	63,114
28 Nonoperating Income Tax	(5,052)	(5,052)
29 Net Operating Earnings (L.26-27-28)	(63,117)	(90,254)
30 Interest Expense	97,555	97,555
31 Juris Diff & Nonreg Net Income		
32 Extraordinary Items	59	59
33 Net Income (L.29-L.30-L.31+L.32)	(160,731)	(187,869)
34 Income for JDIC	(2)	
35 Income for Equity	(160,729)	(187,869)
36 % Regulatory Return on End of Period Equity	-39.15%	-45.77%

Supporting Schedules:
(a) C-1

Recap Schedules:
(b) A-2

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Schedule F-2
Title: Projected Statements of Cash Flow
Date: May 18, 2004

	A	B	C
	Test Year Ended Dec 31 2003	Projected Year Dec 31 2005 Present	Proposed #
OPERATING ACTIVITIES			
1. Net Operating Income	(63,117)	(90,254)	(82,936)
Adjustments to Net Operating Income:			
2. Depreciation & Amortization	364,079	364,079	364,079
3. Current Income Taxes	(42,116)	(81,720)	(81,720)
4. Cash provided by Operating Activities (L1.L3)	258,846	192,105	199,423
INVESTING ACTIVITIES			
5. Net Construction Expenditures	(198,587)	(198,587)	(198,587)
6. Cash(used for) investing activities (L4)	(198,587)	(198,587)	(198,587)
FINANCING ACTIVITIES			
7. Dividends Paid	189,770	(187,869)	(180,551)
8. Net Outside Financing	95,189	95,189	95,189
9. Interest	(69,901)	97,555	97,555
10. Net Cash Flow (L4+L6+L7+L8+L9)	275,317	(1,607)	13,030

QWEST CORPORATION
ARIZONA TOTAL STATE OPERATIONS
Test Year Ending December 31, 2003
$(000)

Arizona Corporation Commission

Schedule F-3
Title: Projected Construction Requirements

Date: May 18, 2004

	Description	A Test Year Ended Dec 31 2003	B Projected Dec 31 2005
1	Land	82	82
2	Vehicles and Work Equipment	12,645	12,645
3	Buildings	16,770	16,770
4	Furniture and Office Equipment	377	377
5	General Purpose Computers	968	968
6	Cental Office Equipment	111,203	111,203
7	Other Terminal Equipment	2,679	2,679
8	Outside Plant	115,993	115,993
9	Capital Leases	700	700
10	Leasehold Improvements	(359)	(359)
11	Intangibles	13,946	13,946
12	Total Construction Expenditures (L.1 thru 12)	275,002	275,002

Supporting Schedule:
None

Recap Schedule:
(a) A-4

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003 Schedule F-4
$(000) Title: Assumptions Used in Developing Projections

Date: May 18, 2004

Assumptions Used in Preparing Projections

Projections are based on test year results plus annualized revenue changes based on 1st quarter 2004 actual volumes.

Redacted.

Product Category	($000)	Proposed Rate Change	% of Revenue Change	Product Category Return on Investment		
				Current	Proposed	Change

REDACTED

Please See Schedule G-1.

Please See Schedule G-1.

Please See Schedule G-1.

Please See Schedule G-1.

Please see Qwest's Cost Accounting Segregation Manual, a copy of which is attached hereto. This Manual describes the processes and procedures employed in assigning allocating revenues, expenses and investments to the product cost categories maintained by Qwest in its cost accounting system.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$000'S

Schedule: H-1
Title: Summary of Revenues by Customer Classification - Present and Proposed

Customer Classification	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
Access Services	81,745	81,791	46	0.06%
Private Line Transport Services Tariff	32,730	33,478	748	2.29%
Competitive Exchange & Network Svcs Tariff	196,961	206,768	9,807	4.98%
Advanced Communications Services	2,877	2,877		0.00%
Exchange & Network Services Tariff	650,059	646,776	(3,283)	-0.51%
Exchange & Network Services Catalog	30,025	30,025		0.00%
TOTAL	**994,396**	**1,001,714**	**7,318**	0.74%

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$000'S

Schedule: H-2
Title: Analysis of Revenue by Detailed Class

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
1	**TOTAL (LINES 2 THROUGH 278)**		**994,396,005**	**1,001,714,230**	**7,318,225**	0.74%
2	Access Services	ANCILLARY SERVICES	100,884	100,884	0	0.00%
3	Access Services	CARE/ISI	554,364	554,364	0	0.00%
4	Access Services	CARRIER COMMON LINE ACCESS SERVICE (REVENUE)	6,710,779	6,710,779	0	0.00%
5	Access Services	CHARGES FOR ADDITIONAL LABOR	2,268	2,268	0	0.00%
6	Access Services	CHARGES FOR ADDITIONAL LABOR (RESELLER REVENUE)	1,372	1,372	0	0.00%
7	Access Services	COMMON CHANNEL SIGNALING NETWORK	8,496,600	8,496,600	0	0.00%
8	Access Services	END USER ACCOUNTING ACTIVITY	26,739,312	26,739,312	0	0.00%
9	Access Services	INTERCONNECTION CHARGE	2,360,190	2,360,190	0	0.00%
10	Access Services	LOCAL SWITCHING	18,786,538	18,786,538	0	0.00%
11	Access Services	LOCAL SWITCHING (REVENUE)	330,823	376,498	45,675	13.81%
12	Access Services	MANAGED LONG DISTANCE	5,356	5,356	0	0.00%
13	Access Services	MESSAGE BILLING SERVICE	3,214,153	3,214,153	0	0.00%
14	Access Services	MESSAGE UNIT CREDIT (REVENUE)	-31	-31	0	0.00%
15	Access Services	MISCELLANEOUS BUSINESS REVENUE DETAIL	251,849	251,849	0	0.00%
16	Access Services	MISCELLANEOUS RESIDENCE REVENUE DETAIL	1,050	1,050	0	0.00%
17	Access Services	NON MESSAGE-BASED BILLING SERVICE	7,877,868	7,877,868	0	0.00%
18	Access Services	PRESUBSCRIPTION	2,176,320	2,176,320	0	0.00%
19	Access Services	PRESUBSCRIPTION (RESELLER REVENUE)	14,612	14,612	0	0.00%
20	Access Services	RECORDING SERVICE	2,148	2,148	0	0.00%
21	Access Services	SWITCHED TRANSPORT	3,932,045	3,932,045	0	0.00%
22	Access Services	WIDE AREA CALLING SERVICE	186,391	186,391	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
23	Advanced Communications Services	MEGABIT SERVICES	1,557,721	1,557,721	0	0.00%
24	Advanced Communications Services	MISCELLANEOUS BUSINESS REVENUE DETAIL	1,294,453	1,294,453	0	0.00%
25	Advanced Communications Services	MISCELLANEOUS RESIDENCE REVENUE DETAIL	24,552	24,552	0	0.00%
26	Competitive Exchange & Network Svcs Tariff	800 SERVICE	40,896	40,896	0	0.00%
27	Competitive Exchange & Network Svcs Tariff	800 SERVICELINE OPTION	182,877	182,877	0	0.00%
28	Competitive Exchange & Network Svcs Tariff	BUSINESS MAINTENANCE PLANS	5,289,095	5,289,095	0	0.00%
29	Competitive Exchange & Network Svcs Tariff	CALLING CONNECTION PLANS	31,936	31,936	0	0.00%
30	Competitive Exchange & Network Svcs Tariff	CENTREX 21 SERVICE	19,953,600	19,953,600	0	0.00%
31	Competitive Exchange & Network Svcs Tariff	CENTREX 21 SERVICE (CONTRACT BILLED REVENUE)	42,964,624	42,964,624	0	0.00%
32	Competitive Exchange & Network Svcs Tariff	CENTREX 21 SERVICE (RESELLER REVENUE)	181,226	181,226	0	0.00%
33	Competitive Exchange & Network Svcs Tariff	CENTREX 21 SERVICE(CONTRACT BILLED REVENUE)	178	178	0	0.00%
34	Competitive Exchange & Network Svcs Tariff	CENTREX PLUS SERVICE	4,999,363	4,999,363	0	0.00%
35	Competitive Exchange & Network Svcs Tariff	CENTREX PLUS SERVICE (CONTRACT BILLED REVENUE)	500	500	0	0.00%
36	Competitive Exchange & Network Svcs Tariff	CENTREX PRIME SERVICE	190,623	190,623	0	0.00%
37	Competitive Exchange & Network Svcs Tariff	CENTREX PRIME SERVICE (CONTRACT BILLED REVENUE)	1,502,286	1,502,286	0	0.00%
38	Competitive Exchange & Network Svcs Tariff	CENTREX PRIME SERVICE(CONTRACT BILLED REVENUE)	8,474	8,474	0	0.00%
39	Competitive Exchange & Network Svcs Tariff	CENTRON CUSTOM SERVICE	223,045	223,045	0	0.00%
40	Competitive Exchange & Network Svcs Tariff	CENTRON CUSTOM SERVICE (CONTRACT BILLED REVENUE)	36,520	36,520	0	0.00%
41	Competitive Exchange & Network Svcs Tariff	CUSTOMZD CALL MGMT SVCS/CENTRON I	939,662	1,024,868	85,206	9.07%
42	Competitive Exchange & Network Svcs Tariff	CUSTOMZD CALL MGMT SVCS/CENTRON I (RESELLER REVENUE)	13,966	16,726	2,760	19.76%
43	Competitive Exchange & Network Svcs Tariff	DIRECTORY ASSISTANCE SERVICE	16,381,123	26,061,119	9,679,996	59.09%
44	Competitive Exchange & Network Svcs Tariff	GUARANTEED RATE CALLING CONNECTION (REVENUE)	140,884	140,884	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
45	Competitive Exchange & Network Svcs Tariff	INDIVIDUAL CASE ISDN SERVICE	300	300	0	0.00%
46	Competitive Exchange & Network Svcs Tariff	INDIVIDUAL CASE ISDN SERVICE(CONTRACT BILLED REVENUE)	28,334	28,334	0	0.00%
47	Competitive Exchange & Network Svcs Tariff	INTEGRATED T-1 SERVICE	482,880	482,880	0	0.00%
48	Competitive Exchange & Network Svcs Tariff	INTRACALL SERVICE	4,260	4,260	0	0.00%
49	Competitive Exchange & Network Svcs Tariff	MISCELLANEOUS BUSINESS REVENUE DETAIL	24,671,772	24,671,772	0	0.00%
50	Competitive Exchange & Network Svcs Tariff	MISCELLANEOUS RESIDENCE REVENUE DETAIL	2,196	2,196	0	0.00%
51	Competitive Exchange & Network Svcs Tariff	NETWORK PREMISES WORK CHARGES	82,129	82,129	0	0.00%
52	Competitive Exchange & Network Svcs Tariff	OBS SPCL REVERSED CHG LD SERVICE	364	364	0	0.00%
53	Competitive Exchange & Network Svcs Tariff	OBS SPCL REVERSED CHG LD SERVICE (RESELLER REVENUE)	50	50	0	0.00%
54	Competitive Exchange & Network Svcs Tariff	OBSOLETE CALLING CONNECTION PLANS	308,411	308,411	0	0.00%
55	Competitive Exchange & Network Svcs Tariff	OBSOLETE CALLING CONNECTION PLANS (RESELLER REVENUE)	148	148	0	0.00%
56	Competitive Exchange & Network Svcs Tariff	OBSOLETE CALLING CONNECTION PLANS (USAGE REVENUE)	8,848	8,848	0	0.00%
57	Competitive Exchange & Network Svcs Tariff	OBSOLETE CENTREX PLUS SERVICE	1,466	1,466	0	0.00%
58	Competitive Exchange & Network Svcs Tariff	OBSOLETE CENTREX PLUS SERVICE (CONTRACT BILLED REVENUE)	13,068	13,068	0	0.00%
59	Competitive Exchange & Network Svcs Tariff	OBSOLETE CENTREX SERVICE	955	955	0	0.00%
60	Competitive Exchange & Network Svcs Tariff	OBSOLETE CENTREX SERVICE (REVENUE)	170	170	0	0.00%
61	Competitive Exchange & Network Svcs Tariff	OBSOLETE CENTRON 6 AND 30 SERVICE	121,169	161,810	40,641	33.54%
62	Competitive Exchange & Network Svcs Tariff	OBSOLETE CUSTMZD MGMT SVCS/CENTRON 1	4,081	2,809	-1,272	-31.17%
63	Competitive Exchange & Network Svcs Tariff	OBSOLETE METROPO PREFD AREA CLNG SVC	26,129	26,129	0	0.00%
64	Competitive Exchange & Network Svcs Tariff	OBSOLETE OPTIONAL FEATURES	2,201	2,201	0	0.00%
65	Competitive Exchange & Network Svcs Tariff	OBSOLETE SCOOPLINE SERVICE	3,060	3,060	0	0.00%
66	Competitive Exchange & Network Svcs Tariff	OBSOLETE SWITCHNET 56 SERVICE	96,048	96,048	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
67	Competitive Exchange & Network Svcs Tariff	OPTIONAL SERVICE FEATURES	7,891	7,891	0	0.00%
68	Competitive Exchange & Network Svcs Tariff	OPTIONAL SERVICE FEATURES (RESELLER REVENUE)	118	118	0	0.00%
69	Competitive Exchange & Network Svcs Tariff	OUTWARD WATS	33,180	33,180	0	0.00%
70	Competitive Exchange & Network Svcs Tariff	PREMISES WORK CHARGES	9,510,823	9,510,823	0	0.00%
71	Competitive Exchange & Network Svcs Tariff	PREMISES WORK CHARGES (RESELLER REVENUE)	4,842	4,842	0	0.00%
72	Competitive Exchange & Network Svcs Tariff	PREMISES WORK CHARGES(REVENUE)	32,392	32,392	0	0.00%
73	Competitive Exchange & Network Svcs Tariff	PRIMARY RATE SERVICE	21,668,527	21,668,527	0	0.00%
74	Competitive Exchange & Network Svcs Tariff	PRIMARY RATE SERVICE (CONTRACT BILLED REVENUE)	2,420,080	2,420,080	0	0.00%
75	Competitive Exchange & Network Svcs Tariff	PRIMARY RATE SERVICE (RESELLER REVENUE)	66,836	66,836	0	0.00%
76	Competitive Exchange & Network Svcs Tariff	PRIMARY RATE SERVICE(CONTRACT BILLED REVENUE)	3,400	3,400	0	0.00%
77	Competitive Exchange & Network Svcs Tariff	RESIDENCE MAINTENANCE PLANS	28,089,746	28,089,746	0	0.00%
78	Competitive Exchange & Network Svcs Tariff	RESIDENCE MAINTENANCE PLANS (REVENUE)	120	120	0	0.00%
79	Competitive Exchange & Network Svcs Tariff	SINGLE LINE SERVICE	8,751,346	8,751,346	0	0.00%
80	Competitive Exchange & Network Svcs Tariff	SINGLE LINE SERVICE (CONTRACT BILLED REVENUE)	21,983	21,983	0	0.00%
81	Competitive Exchange & Network Svcs Tariff	SINGLE LINE SERVICE (RESELLER REVENUE)	49,697	49,697	0	0.00%
82	Competitive Exchange & Network Svcs Tariff	SINGLE LINE SERVICE(CONTRACT BILLED REVENUE)	5,982	5,982	0	0.00%
83	Competitive Exchange & Network Svcs Tariff	TRACKLINE PLUS SERVICE	713	713	0	0.00%
84	Competitive Exchange & Network Svcs Tariff	TRAFFIC DATA REPORT SERVICE (TDRS)	8,640	8,640	0	0.00%
85	Competitive Exchange & Network Svcs Tariff	TRAFFIC DATA REPORT SERVICE(TDRS)	19,220	19,220	0	0.00%
86	Competitive Exchange & Network Svcs Tariff	TWO-POINT MESSAGE TELECOMMUNICATIONS SERVICE	5,907,498	5,907,498	0	0.00%
87	Competitive Exchange & Network Svcs Tariff	CALLING CONNECTION PLANS	1,419,178	1,419,178	0	0.00%
88	Exchange & Network Services Catalog	BUSINESS VOICE MESSAGING SERVICE	8,285,771	8,285,771	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
89	Exchange & Network Services Catalog	BUSINESS VOICE MESSAGING SERVICE (CONTRACT BILLED REVENUE)	114	114	0	0.00%
90	Exchange & Network Services Catalog	BUSINESS VOICE MESSAGING SERVICE (REVENUE)	202,944	202,944	0	0.00%
91	Exchange & Network Services Catalog	CALL REPORTS SERVICE	114,939	114,939	0	0.00%
92	Exchange & Network Services Catalog	EMERGENCY PREPAREDNESS NETWORK	34,332	34,332	0	0.00%
93	Exchange & Network Services Catalog	MISCELLANEOUS BUSINESS REVENUE DETAIL	20,979	20,979	0	0.00%
94	Exchange & Network Services Catalog	OBSOLETE RESIDENCE VOICE MESSAGING SERVICE	5,039,744	5,039,744	0	0.00%
95	Exchange & Network Services Catalog	OBSOLETE SEMIPUBLIC EXTENSION SERVICE	804	804	0	0.00%
96	Exchange & Network Services Catalog	PHONE-BACKER SERVICE	2,378,125	2,378,125	0	0.00%
97	Exchange & Network Services Catalog	RESIDENCE VOICE MESSAGING SERVICE	13,245,086	13,245,086	0	0.00%
98	Exchange & Network Services Catalog	RESIDENCE VOICE MESSAGING SERVICE (RESELLER REVENUE)	117	117	0	0.00%
99	Exchange & Network Services Catalog	SEMIPUBLIC EXTENSION SERVICE	120	120	0	0.00%
100	Exchange & Network Services Catalog	SEMIPUBLIC TELEPHONE SERVICE	701,690	701,690	0	0.00%
101	Exchange & Network Services Tariff	ANSWER SUPERVISION - LINE SIDE	2,527	2,527	0	0.00%
102	Exchange & Network Services Tariff	ANSWER SUPERVISION - LINE SIDE (RESELLER REVENUE)	156	156	0	0.00%
103	Exchange & Network Services Tariff	APPLICATION FOR SERVICE(REVENUE)	27,120	27,120	0	0.00%
104	Exchange & Network Services Tariff	ASSIGNING & CHANGING TELEPHONE NUMBERS	165,015	165,015	0	0.00%
105	Exchange & Network Services Tariff	ASSIGNING & CHANGING TELEPHONE NUMBERS (RESELLER REVENUE)	761	761	0	0.00%
106	Exchange & Network Services Tariff	BASIC EXCHANGE ENHANCEMENT	208,553	208,553	0	0.00%
107	Exchange & Network Services Tariff	BASIC EXCHANGE ENHANCEMENT (RESELLER REVENUE)	496	496	0	0.00%
108	Exchange & Network Services Tariff	BLOCKING FOR 10XXX1+/10XXX011+	8,416	8,416	0	0.00%
109	Exchange & Network Services Tariff	BLOCKING FOR 10XXX1+/10XXX011+ (RESELLER REVENUE)	825	825	0	0.00%
110	Exchange & Network Services Tariff	CALLER IDENTIFICATION - BULK	445,860	445,860	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
111	Exchange & Network Services Tariff	CALLER IDENTIFICATION BLK-PER LINE (RESELLER REVENUE)	7	7	0	0.00%
112	Exchange & Network Services Tariff	CALLER IDENTIFICATION BLOCKING-PER LINE	43,839	43,839	0	0.00%
113	Exchange & Network Services Tariff	CODE BILLING	2,292	2,292	0	0.00%
114	Exchange & Network Services Tariff	CUSTOM CALLING SERVICES	36,727,953	38,352,874	1,624,921	4.42%
115	Exchange & Network Services Tariff	CUSTOM CALLING SERVICES (RESELLER REVENUE)	189,114	191,128	2,014	1.07%
116	Exchange & Network Services Tariff	CUSTOM CALLING SERVICES (USAGE REVENUE)	6,264,085	6,264,085	0	0.00%
117	Exchange & Network Services Tariff	CUSTOMNET SERVICE	308,584	308,584	0	0.00%
118	Exchange & Network Services Tariff	CUSTOMNET SERVICE (RESELLER REVENUE)	4,281	4,281	0	0.00%
119	Exchange & Network Services Tariff	DIGITAL SWITCHED SERVICES (DSS)	23,589,945	23,589,945	0	0.00%
120	Exchange & Network Services Tariff	DIGITAL SWITCHED SERVICES (DSS) (CONTRACT BILLED REVENUE)	2,406,371	2,406,371	0	0.00%
121	Exchange & Network Services Tariff	DIGITAL SWITCHED SERVICES (DSS) (RESELLER REVENUE)	181,738	181,738	0	0.00%
122	Exchange & Network Services Tariff	DIGITAL SWITCHED SERVICES(DSS)	240,641	240,641	0	0.00%
123	Exchange & Network Services Tariff	DIRECT-INWARD-DIALING (DID) SERVICE	12,149,306	12,149,306	0	0.00%
124	Exchange & Network Services Tariff	DIRECT-INWARD-DIALING (DID) SERVICE (RESELLER REVENUE)	193,820	193,820	0	0.00%
125	Exchange & Network Services Tariff	DIRECT-INWARD-DIALING(DID) SERVICE	534,333	534,333	0	0.00%
126	Exchange & Network Services Tariff	DIRECT-INWARD-DIALING(DID) SERVICE (RESELLER REVENUE)	1	1	0	0.00%
127	Exchange & Network Services Tariff	DISASTER RECOVERY SERVICES	29,247	29,247	0	0.00%
128	Exchange & Network Services Tariff	DUAL SERVICE	44,022	44,022	0	0.00%
129	Exchange & Network Services Tariff	DUAL SERVICE (RESELLER REVENUE)	94	94	0	0.00%
130	Exchange & Network Services Tariff	FLAT RATE SERVICE	342,988,851	342,988,851	0	0.00%
131	Exchange & Network Services Tariff	FLAT RATE SERVICE (RESELLER REVENUE)	1,761,309	1,761,309	0	0.00%
132	Exchange & Network Services Tariff	FLAT RATE SERVICE (REVENUE)	39,377	39,377	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
133	Exchange & Network Services Tariff	FLAT RATE TRUNKS	9,868,675	9,868,675	0	0.00%
134	Exchange & Network Services Tariff	FLAT RATE TRUNKS (RESELLER REVENUE)	43,482	43,482	0	0.00%
135	Exchange & Network Services Tariff	HOME BUSINESS LINE (HBL) SERVICE	10,809	10,809	0	0.00%
136	Exchange & Network Services Tariff	HUNTING SERVICE	3,718,599	3,718,599	0	0.00%
137	Exchange & Network Services Tariff	HUNTING SERVICE (RESELLER REVENUE)	46,150	46,150	0	0.00%
138	Exchange & Network Services Tariff	INTERCEPT SERVICES	2,595	2,595	0	0.00%
139	Exchange & Network Services Tariff	INTERCONNECTION	823	823	0	0.00%
140	Exchange & Network Services Tariff	INTERCONNECTION FOR TYPE 2	417,042	417,042	0	0.00%
141	Exchange & Network Services Tariff	LISTING SERVICES	10,400,074	10,440,124	40,050	0.39%
142	Exchange & Network Services Tariff	LISTING SERVICES (RESELLER REVENUE)	647,891	647,891	0	0.00%
143	Exchange & Network Services Tariff	LOCAL SERVICE INCREMENTS	4,055,964	0	-4,055,964	-100.00%
144	Exchange & Network Services Tariff	LOCAL SERVICE INCREMENTS (RESELLER REVENUE)	12,559	0	-12,559	-100.00%
145	Exchange & Network Services Tariff	LOW USE OPTION SERVICE	817,677	817,677	0	0.00%
146	Exchange & Network Services Tariff	LOW USE OPTION SERVICE (USAGE REVENUE)	234,958	234,958	0	0.00%
147	Exchange & Network Services Tariff	MARKET EXPANSION LINE (MEL) SERVICE	2,779,712	2,779,712	0	0.00%
148	Exchange & Network Services Tariff	MARKET EXPANSION LINE (MEL) SERVICE (RESELLER REVENUE)	20,119	20,119	0	0.00%
149	Exchange & Network Services Tariff	MARKET EXPANSION LINE (MEL) SERVICE (RESELLER USAGE REVENUE)	23,329	23,329	0	0.00%
150	Exchange & Network Services Tariff	MARKET EXPANSION LINE (MEL) SERVICE (USAGE REVENUE)	1,105,529	1,105,529	0	0.00%
151	Exchange & Network Services Tariff	MARKET EXPANSION LINE(MEL) SERVICE	391,545	391,545	0	0.00%
152	Exchange & Network Services Tariff	MARKET EXPANSION LINE(MEL) SERVICE (RESELLER REVENUE)	4,539	4,539	0	0.00%
153	Exchange & Network Services Tariff	MEASURED SERVICE	189	189	0	0.00%
154	Exchange & Network Services Tariff	MESSAGE DELIVERY SERVICE	3,539,515	3,539,515	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
155	Exchange & Network Services Tariff	MESSAGE WAITING INDICATION	119,223	120,021	798	0.67%
156	Exchange & Network Services Tariff	MESSAGE WAITING INDICATION (RESELLER REVENUE)	1,418	1,423	5	0.36%
157	Exchange & Network Services Tariff	MISCELLANEOUS BUSINESS REVENUE DETAIL	37,035,152	37,035,152	0	0.00%
158	Exchange & Network Services Tariff	MISCELLANEOUS RESIDENCE REVENUE DETAIL	123,480	123,480	0	0.00%
159	Exchange & Network Services Tariff	MULTIPLE LINE CONTROL ARRANGEMENT	4,182	4,182	0	0.00%
160	Exchange & Network Services Tariff	NEXTCONNECTS	54,127	54,127	0	0.00%
161	Exchange & Network Services Tariff	NONRECURRING CHARGES	170,144	170,144	0	0.00%
162	Exchange & Network Services Tariff	NOT IN TARIFF (RESELLER REVENUE)	24	24	0	0.00%
163	Exchange & Network Services Tariff	NUMBER FORWARDING	213,915	213,915	0	0.00%
164	Exchange & Network Services Tariff	OBS IDENTIFIED OUTWARD DIALING (IOD)	5,280	5,280	0	0.00%
165	Exchange & Network Services Tariff	OBS PACKAGES NOT ASSOC/BASIC EXCHANGE SVC	40,871	0	-40,871	-100.00%
166	Exchange & Network Services Tariff	OBS PCKG ASSOC/BASIC EXCH SVC LISTING	41,384,148	41,384,148	0	0.00%
167	Exchange & Network Services Tariff	OBS PCKG ASSOC/BASIC EXCH SVC LISTING (RESELLER REVENUE)	5,781	5,781	0	0.00%
168	Exchange & Network Services Tariff	OBSOLETE AIRPORT INTERCOMM SERVICE	366	366	0	0.00%
169	Exchange & Network Services Tariff	OBSOLETE ARRGMTS NIGHT,SUNDAY,HLDY SVC	1,571	1,571	0	0.00%
170	Exchange & Network Services Tariff	OBSOLETE CUSTOM CALLING SERVICES	376,919	0	-376,919	-100.00%
171	Exchange & Network Services Tariff	OBSOLETE CUSTOM CALLING SERVICES (RESELLER REVENUE)	147	0	-147	-100.00%
172	Exchange & Network Services Tariff	OBSOLETE CUSTOM SOLUTIONS	384,165	30	-384,135	-99.99%
173	Exchange & Network Services Tariff	OBSOLETE CUSTOM SOLUTIONS (RESELLER REVENUE)	369	0	-369	-100.00%
174	Exchange & Network Services Tariff	OBSOLETE DID SVC	45,288	45,288	0	0.00%
175	Exchange & Network Services Tariff	OBSOLETE EMGNCY ALARM AND REPORTING SVC	425	425	0	0.00%
176	Exchange & Network Services Tariff	OBSOLETE JOINT USER SERVICE	3,492	3,492	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
177	Exchange & Network Services Tariff	OBSOLETE LISTINGS	1,368	1,368	0	0.00%
178	Exchange & Network Services Tariff	OBSOLETE LISTINGS (RESELLER REVENUE)	59	59	0	0.00%
179	Exchange & Network Services Tariff	OBSOLETE LOCAL SERVICE OPTIONS	1,530	1,530	0	0.00%
180	Exchange & Network Services Tariff	OBSOLETE NETWORK CONNECTING ARRGMTS	8,480	8,480	0	0.00%
181	Exchange & Network Services Tariff	OBSOLETE OPTIONAL FEATURES	2,568	2,568	0	0.00%
182	Exchange & Network Services Tariff	OBSOLETE RESALE/SHARING OF COMPANY SVC	37,113	37,113	0	0.00%
183	Exchange & Network Services Tariff	OBSOLETE RESALE/SHARING OF COMPANY SVC (RESELLER REVENUE)	190	190	0	0.00%
184	Exchange & Network Services Tariff	OBSOLETE SELECT CALL ROUTING SERVICE	2,472	2,472	0	0.00%
185	Exchange & Network Services Tariff	OBSOLETE SINGLENUMBER SERVICE	19,812	19,812	0	0.00%
186	Exchange & Network Services Tariff	OBSOLETE SINGLENUMBER SERVICE (USAGE REVENUE)	26,189	26,189	0	0.00%
187	Exchange & Network Services Tariff	PACKAGES ASSOC/BASIC EXCHANGE SERVICE	84,735,072	84,735,072	0	0.00%
188	Exchange & Network Services Tariff	REVENUE)	22,695	22,695	0	0.00%
189	Exchange & Network Services Tariff	PACKAGES ASSOC/BASIC EXCHANGE SERVICE (RESELLER REVENUE)	48,491	48,491	0	0.00%
190	Exchange & Network Services Tariff	PACKAGES ASSOC/BASIC EXCHANGE SERVICE (REVENUE)	18,076	18,076	0	0.00%
191	Exchange & Network Services Tariff	PACKAGES NOT ASSOC/BASIC EXCHANGE SVC	150,178	0	-150,178	-100.00%
192	Exchange & Network Services Tariff	PACKAGES NOT ASSOC/BASIC EXCHANGE SVC (RESELLER REVENUE)	563	0	-563	-100.00%
193	Exchange & Network Services Tariff	PUBLIC ACCESS LINE SERVICE (PAL)	186,616	186,616	0	0.00%
194	Exchange & Network Services Tariff	PUBLIC ACCESS LINE SERVICE (PAL) (RESELLER REVENUE)	14,960	14,960	0	0.00%
195	Exchange & Network Services Tariff	PUBLIC ACCESS LINE SERVICE(PAL)	6,870	6,870	0	0.00%
196	Exchange & Network Services Tariff	PUBLIC ACCESS LINE SERVICE(PAL) (RESELLER REVENUE)	1,164	1,164	0	0.00%
197	Exchange & Network Services Tariff	PUBLIC ACCESS LINE SERVICES (USAGE REVENUE)	20,124	20,124	0	0.00%
198	Exchange & Network Services Tariff	RESALE/SHARING OF COMPANY SERVICES	121,856	121,856	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
199	Exchange & Network Services Tariff	RESALE/SHARING OF COMPANY SERVICES (USAGE REVENUE)	11,020	11,020	0	0.00%
200	Exchange & Network Services Tariff	SECRETARIAL ANSWERING SERVICE	9,345	9,345	0	0.00%
201	Exchange & Network Services Tariff	SECRETARIAL ANSWERING SERVICE (RESELLER REVENUE)	35	35	0	0.00%
202	Exchange & Network Services Tariff	SERVICE STATIONS	3,163	3,163	0	0.00%
203	Exchange & Network Services Tariff	SPECIAL ASSEMBLY	54,069	54,069	0	0.00%
204	Exchange & Network Services Tariff	SPECIAL ASSEMBLY (CONTRACT BILLED REVENUE)	3,912	3,912	0	0.00%
205	Exchange & Network Services Tariff	SPECIAL ASSEMBLY(CONTRACT BILLED REVENUE)	2,781	2,781	0	0.00%
206	Exchange & Network Services Tariff	STAND-BY LINE (RESELLER REVENUE)	171,381	171,381	0	0.00%
207	Exchange & Network Services Tariff	STAND-BY LINE SERVICE	3,952,760	3,952,760	0	0.00%
208	Exchange & Network Services Tariff	TELEPHONE ASSISTANCE PROGRAMS	-2,899,948	-2,899,948	0	0.00%
209	Exchange & Network Services Tariff	TERMINATION OF SERVICE-CMPNY INITIATED	6,108,696	6,108,696	0	0.00%
210	Exchange & Network Services Tariff	TERMINATION OF SERVICE-CMPNY INITIATED (RESELLER REVENUE)	5,584	5,584	0	0.00%
211	Exchange & Network Services Tariff	TOLL RESTRICTION	1,672,967	1,672,967	0	0.00%
212	Exchange & Network Services Tariff	TOLL RESTRICTION (RESELLER REVENUE)	23,466	23,466	0	0.00%
213	Exchange & Network Services Tariff	U S WEST CUSTOM NUMBER SERVICE	63,975	63,975	0	0.00%
214	Exchange & Network Services Tariff	UNIFORM ACCESS SOLUTION SERVICE	1,669,894	1,669,894	0	0.00%
215	Exchange & Network Services Tariff	UNIFORM ACCESS SOLUTION SERVICE (CONTRACT BILLED REVENUE)	330,006	330,006	0	0.00%
216	Exchange & Network Services Tariff	UNIFORM ACCESS SOLUTION SERVICE (RESELLER REVENUE)	27,552	27,552	0	0.00%
217	Exchange & Network Services Tariff	UNIFORM CALL DISTRIBUTION	146,995	146,995	0	0.00%
218	Exchange & Network Services Tariff	UNIVERSAL EMERGENCY NUMBER SERVICE-911	5,579,622	5,579,622	0	0.00%
219	Exchange & Network Services Tariff	BILLED REVENUE) ED REVENUE)	793	793	0	0.00%
220	Exchange & Network Services Tariff	UNIVERSAL EMERGENCY NUMBER SERVICE-911 (REVENUE)	28,037	28,037	0	0.00%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
221	Exchange & Network Services Tariff	UNIVERSAL EMERGENCY NUMBER SERVICE-911(REVENUE)	4,372	4,372	0	0.00%
222	Exchange & Network Services Tariff	US WEST CUSTOM RINGING SERVICE	645,163	715,873	70,710	10.96%
223	Exchange & Network Services Tariff	US WEST CUSTOM RINGING SERVICE (RESELLER REVENUE)	1,067	1,067	0	0.00%
224	Exchange & Network Services Tariff	STAND-BY LINE	344,556	344,556	0	0.00%
225	Private Line Transport Services Tariff	ADDITIONAL ENGINEERING AND LABOR CHGS	775	775	0	0.00%
226	Private Line Transport Services Tariff	AUDIO SERVICE	5,980	6,088	108	1.81%
227	Private Line Transport Services Tariff	AUDIO SERVICE (CONTRACT BILLED REVENUE)	3,439	3,439	0	0.00%
228	Private Line Transport Services Tariff	COMMANDALINK-NTWK RECONFIGURATION SVC	22,176	22,176	0	0.00%
229	Private Line Transport Services Tariff	CUSTOM SERVICE ARRANGEMENTS	4,272	4,272	0	0.00%
230	Private Line Transport Services Tariff	DESIGN CHANGE	567	567	0	0.00%
231	Private Line Transport Services Tariff	DESIGN LAYOUT REPORT(DLR)	63	63	0	0.00%
232	Private Line Transport Services Tariff	DIGITAL DATA SERVICE	639,670	639,670	0	0.00%
233	Private Line Transport Services Tariff	DIGITAL DATA SERVICE (RESELLER REVENUE)	6,790	6,790	0	0.00%
234	Private Line Transport Services Tariff	DISPATCH CHARGE	238,744	238,744	0	0.00%
235	Private Line Transport Services Tariff	DISPATCH CHARGE (RESELLER REVENUE)	540	540	0	0.00%
236	Private Line Transport Services Tariff	EXCHANGE SERVICE EXTENSIONS	123,685	134,725	11,040	8.93%
237	Private Line Transport Services Tariff	EXCHANGE SERVICE EXTENSIONS (RESELLER REVENUE)	741	810	69	9.30%
238	Private Line Transport Services Tariff	FOREIGN CENTRAL OFFICE SERVICE	970,878	1,209,990	239,112	24.63%
239	Private Line Transport Services Tariff	FOREIGN CENTRAL OFFICE SERVICE (RESELLER REVENUE)	1,352	1,677	325	24.01%
240	Private Line Transport Services Tariff	FOREIGN EXCHANGE SERVICE	2,373,733	2,393,701	19,968	0.84%
241	Private Line Transport Services Tariff	FOREIGN EXCHANGE SERVICE (CONTRACT BILLED REVENUE)	2,242	2,242	0	0.00%
242	Private Line Transport Services Tariff	FOREIGN EXCHANGE SERVICE (RESELLER REVENUE)	8,766	8,766	0	0.00%

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
$000'S

Schedule: H-2
Title: Analysis of Revenue by Detailed Class

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
243	Private Line Transport Services Tariff	LOCAL AREA DATA SERVICE (LADS)	177,120	208,728	31,608	17.85%
244	Private Line Transport Services Tariff	LOCAL AREA DATA SERVICE (LADS) (CONTRACT BILLED REVENUE)	8,453	8,453	0	0.00%
245	Private Line Transport Services Tariff	LOCAL AREA DATA SERVICE (LADS) (RESELLER REVENUE)	434	434	0	0.00%
246	Private Line Transport Services Tariff	LOCAL AREA DATA SERVICE(LADS)	4,520	4,520	0	0.00%
247	Private Line Transport Services Tariff	LOW-SPEED DATA SERVICE	416,636	433,558	16,922	4.06%
248	Private Line Transport Services Tariff	LOW-SPEED DATA SERVICE (CONTRACT BILLED REVENUE)	22,871	22,871	0	0.00%
249	Private Line Transport Services Tariff	LOW-SPEED DATA SERVICE (RESELLER REVENUE)	19,114	19,852	738	3.86%
250	Private Line Transport Services Tariff	MAINTENANCE OF SERVICE	42,408	42,408	0	0.00%
251	Private Line Transport Services Tariff	MISCELLANEOUS BUSINESS REVENUE DETAIL	42,620	42,620	0	0.00%
252	Private Line Transport Services Tariff	MISCELLANEOUS RESIDENCE REVENUE DETAIL	40	40	0	0.00%
253	Private Line Transport Services Tariff	NONRECURRING CHARGES	2,722	2,722	0	0.00%
254	Private Line Transport Services Tariff	OBS DATAPHONE SELECT-A-STATION(DSAS)	20,500	20,500	0	0.00%
255	Private Line Transport Services Tariff	OBSOLETE SERIES 5000 CHANNELS	1,342	1,342	0	0.00%
256	Private Line Transport Services Tariff	OBSOLETE VOICE GRADE SERVICE	4,560	4,560	0	0.00%
257	Private Line Transport Services Tariff	PROTECTN SVC HIGH VOLTAGE ENVIRONMENTS	160,892	160,892	0	0.00%
258	Private Line Transport Services Tariff	REVENUE)	5,494	5,494	0	0.00%
259	Private Line Transport Services Tariff	RATE STABILIZED AND DISCOUNT PRICING (REVENUE)	67,068	67,068	0	0.00%
260	Private Line Transport Services Tariff	SELF-HEALING NETWORK SERVICE (SHNS)	120	120	0	0.00%
261	Private Line Transport Services Tariff	TELECOM SVC PRIORITY (TSP) SYSTEM	787	787	0	0.00%
262	Private Line Transport Services Tariff	TELECOM SVC PRIORITY(TSP) SYSTEM	3,220	3,220	0	0.00%
263	Private Line Transport Services Tariff	TELEPHONE ANSWERING SERVICE	22,001	23,969	1,968	8.95%
264	Private Line Transport Services Tariff	TELEPHONE ANSWERING SERVICE (RESELLER REVENUE)	106	116	10	9.30%

Line	Customer Classification	Product	(A) Present Rates	(B) Proposed Rates	(C) Revenue Increase (Decrease)	(D)=C/A %
265	Private Line Transport Services Tariff	TESTING CHARGES	248	248	0	0.00%
266	Private Line Transport Services Tariff	U S WEST DS1 SERVICE	5,709,310	5,709,310	0	0.00%
267	Private Line Transport Services Tariff	U S WEST DS1 SERVICE (CONTRACT BILLED REVENUE)	247,138	247,138	0	0.00%
268	Private Line Transport Services Tariff	U S WEST DS1 SERVICE (RESELLER REVENUE)	865,001	865,001	0	0.00%
269	Private Line Transport Services Tariff	U S WEST DS1 SERVICE (TOTALS FOR ALL CONTRACT PERIODS)	4,080	4,080	0	0.00%
270	Private Line Transport Services Tariff	U S WEST DS3 SERVICE	908,033	908,033	0	0.00%
271	Private Line Transport Services Tariff	U S WEST DS3 SERVICE (CONTRACT BILLED REVENUE)	44,558	44,558	0	0.00%
272	Private Line Transport Services Tariff	U S WEST DS3 SERVICE (RESELLER REVENUE)	60,205	60,205	0	0.00%
273	Private Line Transport Services Tariff	U S WEST DS3 SERVICE (TOTALS FOR ALL CONTRACT PERIODS)	2,725	2,725	0	0.00%
274	Private Line Transport Services Tariff	VOICE GRADE SERVICE	17,706,271	18,132,653	426,382	2.41%
275	Private Line Transport Services Tariff	VOICE GRADE SERVICE (RESELLER REVENUE)	812	812	0	0.00%
276	Private Line Transport Services Tariff	VOICE GRADE SERVICE (CONTRACT BILLED REVENUE)	1,120,353	1,120,353	0	0.00%
277	Private Line Transport Services Tariff	VOICE GRADE SERVICE (RESELLER REVENUE)	13,706	13,883	177	1.29%
278	Private Line Transport Services Tariff	VOICE GRADE SERVICE (REVENUE)	619,707	619,707	0	0.00%

Please See Schedule H-2.

NOT APPLICABLE.

NOT APPLICABLE.

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
INTRASTATE FACTOR DEVELOPMENT
Test Year Ending December 31, 2003
(IN WHOLE DOLLARS)

		[a]	[b]	[c=a+b]	[d]
		Total State MR	Total State JD	Total State JR	Intrastate JR
1	Local Network Service Revenue	842,673,206		842,673,206	842,673,206
2	Network Access Service Revenues	628,781,377		628,781,377	72,786,041
3	Long Distance Network Service Revenue	11,159,981		11,159,981	11,163,067
4	Miscellaneous	217,860,766		217,860,766	86,953,480
5	Total Oper. Rev. (L1 thru L4)	**1,700,475,330**	**0**	**1,700,475,330**	**1,013,575,794**
6	Maintenance Expense	314,281,560		314,281,560	201,586,753
7	Engineering Expense	12,194,905		12,194,905	8,836,407
8	Network Operations Expense	72,723,376		72,723,376	46,464,423
9	Network Administration Expense	1,962,478		1,962,478	1,416,959
10	Access Expense	36,516,760		36,516,760	9,040,968
11	Other	543,694		543,694	390,071
12	Total Cost of Service & Products (L6 thru L11)	**438,222,773**	**0**	**438,222,773**	**267,735,581**
13	Customer Operations Expense	233,943,587		233,943,587	164,980,653
14	Corporate Operations Expense	235,237,056	20,059,502	255,296,558	179,838,586
15	Property & Other Taxes	91,601,755		91,601,755	66,415,545
16	Uncollectibles	24,786,540		24,786,540	18,118,730
17	Total Selling, General & Admin (L13 thru L16)	**585,568,938**	**20,059,502**	**605,628,440**	**429,353,514**
18	Other Operating Income & Expense	(44,155)		(44,155)	(33,304)
19	Depreciation Expense	497,353,413	106,527,864	603,881,277	455,902,693
20	Universal Service			0	0
21	Link Up Americal			0	(1,983)
22	Total Operating Expense (L12+L17+L18 thru L21)	**1,521,100,969**	**126,587,366**	**1,647,688,335**	**1,152,956,501**
23	Income From Operations (L5-L22)	**179,374,361**	**(126,587,366)**	**52,786,995**	**(139,380,707)**
24	Federal Income Tax	23,630,918	(38,740,439)	(15,109,521)	(65,386,543)
25	State & Local Income Tax	14,910,080	(8,314,212)	6,595,868	(14,122,656)
26	Net Operating Income (L23-L24-L25)	**140,833,363**	**(79,532,715)**	**61,300,648**	**(59,871,508)**
27	Nonoperating Income & Expense	86,460,771	(312,002)	86,148,769	62,533,258
28	Nonoperating Income Tax	(6,709,911)		(6,709,911)	(5,214,604)
29	Net Operating Earnings(L26-L27-L28)	**61,082,503**	**(79,220,713)**	**(18,138,210)**	**(117,190,162)**
30	Interest Expense	97,108,527		97,108,527	68,955,047
31	Juris Diff & Nonreg Net Income	79,220,713	(79,220,713)	0	
32	Extraordinary Items	0		0	(21,586)
33	Net Income (L29-L30-L31-L32)	**(115,246,737)**	**0**	**(115,246,737)**	**(186,123,623)**
34	Telephone Plant In Service	6,848,170,819	(111,817,156)	6,736,353,663	4,781,643,807
35	Short-Term Plant Under Construction	25,471,555	541,247	26,012,802	19,019,719
36	Materials and Supplies	24,896,032	0	24,896,032	18,035,614
37	Allowance for Cash Working Capital				
38	Accumulated Depreciation & Amortization Reserve	3,728,065,436	331,883,479	4,059,948,915	2,973,739,424
39	Accumulated Deferred Income Tax	505,637,560	(167,552,237)	338,085,323	202,465,519
40	Customer Deposits	3,299,146	0	3,299,146	2,362,714
41	Land Development Agreement Deposits	2,784,125	0	2,784,125	2,029,940
42	Other Assets & Liabilites				
	End-of-Period Rate Base				
43	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	**2,658,752,139**	**(275,607,151)**	**2,383,144,988**	**1,638,101,543**

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
INTRASTATE FACTOR DEVELOPMENT
Test Year Ending December 31, 2003
(IN WHOLE DOLLARS)

		[e]	[f]	[g]	[h=d+e-f-g]	[i=h/c] Intrastate
		FCC Dereg Excludes Billing & Collection	Payphone	State Dereg (Mobile)	Regulated Intrastate	Regulated Factor
1	Local Network Service Revenue		0		842,673,206	100.00%
2	Network Access Service Revenues		0		72,786,041	11.58%
3	Long Distance Network Service Revenue		0		11,163,067	100.03%
4	Miscellaneous	98,020,934	8,612,569		176,361,845	80.95%
5	Total Oper. Rev. (L1 thru L4)	**98,020,934**	**8,612,569**	**0**	**1,102,984,159**	
6	Maintenance Expense	35,371,879	2,869,442		234,089,190	74.48%
7	Engineering Expense	8,634	154		8,844,887	72.53%
8	Network Operations Expense	7,839,504	440,248		53,863,679	74.07%
9	Network Administration Expense	8,439	0		1,425,398	72.63%
10	Access Expense		0		9,040,968	24.76%
11	Other	7,240	300		397,011	73.02%
12	Total Cost of Service & Products (L6 thru L11)	**43,235,696**	**3,310,144**	**0**	**307,661,133**	70.21%
13	Customer Operations Expense	29,639,541	6,275,129		188,345,065	80.51%
14	Corporate Operations Expense	23,986,941	1,755,157		202,070,370	79.15%
15	Property & Other Taxes	1,910,483	1,023,759		67,302,269	73.47%
16	Uncollectibles	1,270,659	(109,558)		19,498,947	78.67%
17	Total Selling, General & Admin (L13 thru L16)	**56,807,624**	**8,944,487**	**0**	**477,216,651**	78.80%
18	Other Operating Income & Expense	(663)	19		(33,986)	76.97%
19	Depreciation Expense	8,522,635	809,844		463,615,484	76.77%
20	Universal Service				0	0.00%
21	Link Up Americal				(1,983)	0.00%
22	Total Operating Expense (L12+L17+L18 thru L21)	**108,565,292**	**13,064,494**	**0**	**1,248,457,299**	75.77%
23	Income From Operations (L5-L22)	**(10,544,358)**	**(4,451,925)**	**0**	**(145,473,140)**	-275.59%
24	Federal Income Tax	(4,210,266)	(1,561,949)		(68,034,860)	450.28%
25	State & Local Income Tax	(2,193,803)	(888,499)		(15,427,960)	-233.90%
26	Net Operating Income (L23-L24-L25)	**(4,140,289)**	**(2,001,477)**	**0**	**(62,010,320)**	
27	Nonoperating Income & Expense	352,365	35,214		62,850,409	72.96%
28	Nonoperating Income Tax	232,127	69,180		(5,051,657)	75.29%
29	Net Operating Earnings(L26-L27-L28)	**(4,724,781)**	**(2,105,871)**	**0**	**(119,809,072)**	660.53%
30	Interest Expense	1,290,443	344,061		69,901,429	71.98%
31	Juris Diff & Nonreg Net Income		0		0	0.00%
32	Extraordinary Items	25,641	(55,035)		59,090	
33	Net Income (L29-L30-L31-L32)	**(6,040,865)**	**(2,394,897)**	**0**	**(189,769,591)**	164.66%
34	Telephone Plant In Service	105,399,518	22,524,757		4,864,516,568	72.21%
35	Short-Term Plant Under Construction	236,813	97,106		19,159,426	73.65%
36	Materials and Supplies	369,536	15,150		18,390,000	73.87%
37	Allowance for Cash Working Capital				0	
38	Accumulated Depreciation & Amortization Reserve	62,384,062	11,265,075		3,024,858,411	74.50%
39	Accumulated Deferred Income Tax	5,901,294	1,579,411		206,787,402	61.16%
40	Customer Deposits	45,484			2,408,198	72.99%
41	Land Development Agreement Deposits		0		2,029,940	72.91%
42	Other Assets & Liabilites					
	End-of-Period Rate Base					
43	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	**37,675,027**	**9,792,527**	**-**	**1,665,984,043**	69.91%

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Accounting Adjustments

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFA-01

Arizona Corporation Commission
Docket No.
Title: Depreciation
Time: 12:30 PM
Date: 5/13/2004
Adj. # PFA-01

Qwest Corporation

Arizona Intrastate Operations
Accounting Adjustment

Depreciation

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	(109,701)
Total Operating Income Taxes	43,040
Net Operating Income	66,661
Rate Base	66,661
Revenue Requirement	(99,918)

This adjustment reflects the impact of a technical update to depreciation based on current reserve levels and prescribed lives.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 12:30 PM
PFA-01

		Depreciation
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	(109,701)
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(109,701)
23	Income From Operations (L5-L22)	109,701
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	35,894
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	7,146
26	**Net Operating Income (L23-L24-L25)**	66,661
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	66,661
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	66,661
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	(109,701)
39	Accumulated Deferred Income Tax	43,040
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	66,661

QWEST CORPORATION
Arizona Intrastate Investment
Includes Broach Adjustments and SXS, X-bar and Analog Depn Reserve

Class of Plant	Dec 31, 2002	Jan 31, 2003	Feb 28, 2003	Mar 31, 2003	Apr 30, 2003	May 31, 2003	Jun 30, 2003	Jul 31, 2003	Aug 31, 2003	Sep 30, 2003	Oct 31, 2003	Nov 30, 2003	Dec 31, 2003
2112 MOTOR VEHICLES	50,970	50,889	50,809	50,728	50,647	50,567	50,486	50,405	50,325	50,244	50,163	50,083	50,002
2114 SPEC PURPOSE VEHICLES	18	18	18	18	18	18	18	18	18	18	18	18	18
2115 GARAGE WORK EQUIP	1,051	1,053	1,055	1,057	1,059	1,061	1,063	1,065	1,067	1,069	1,071	1,073	1,075
2116 OTHER WORK EQUIP	24,179	24,424	24,670	24,915	25,161	25,406	25,652	25,897	26,142	26,388	26,633	26,879	27,124
2121 BUILDINGS	155,276	156,383	157,489	158,596	159,702	160,809	161,915	163,022	164,129	165,235	166,342	167,448	168,555
2122 FURNITURE	1,205	1,209	1,213	1,217	1,221	1,225	1,229	1,233	1,237	1,241	1,245	1,249	1,253
2123.1 OFFICE EQUIPMENT	4,167	4,169	4,170	4,172	4,173	4,175	4,176	4,178	4,180	4,181	4,183	4,184	4,186
2123.2 COMPANY COM EQUIP	1,491	1,510	1,529	1,548	1,567	1,586	1,605	1,624	1,643	1,662	1,681	1,700	1,719
2124 GEN PURPOSE CMPTR	67,999	68,013	68,028	68,042	68,056	68,071	68,085	68,099	68,114	68,128	68,142	68,157	68,171
2211 ANALOG SW EQUIP													
2212 DIGITAL SW EQUIP	890,050	890,837	891,624	892,411	893,198	893,985	894,772	895,558	896,345	897,132	897,919	898,706	899,493
2220 OPERATOR SYSTEMS	3,244	3,137	3,030	2,924	2,817	2,710	2,603	2,496	2,389	2,283	2,176	2,069	1,962
2231 RADIO SYSTEMS	20,363	20,416	20,469	20,522	20,575	20,628	20,681	20,733	20,786	20,839	20,892	20,945	20,998
2232 CIRCUIT DDS	3,843	3,816	3,789	3,761	3,734	3,707	3,680	3,653	3,626	3,598	3,571	3,544	3,517
2232 CIRCUIT DIGITAL	1,032,410	1,036,724	1,041,039	1,045,353	1,049,667	1,053,982	1,058,296	1,062,610	1,066,925	1,071,239	1,075,553	1,079,868	1,084,182
2232 CIRCUIT ANALOG	25,639	25,614	25,590	25,565	25,540	25,515	25,491	25,466	25,441	25,416	25,392	25,367	25,342
2362 OTHER TERM EQUIP	50,361	50,416	50,471	50,526	50,581	50,636	50,691	50,747	50,802	50,857	50,912	50,967	51,022
2411 POLE LINES	37,542	37,636	37,729	37,823	37,916	38,010	38,103	38,197	38,290	38,384	38,477	38,571	38,664
2421 AERIAL CABLE MET	139,905	140,370	140,835	141,299	141,764	142,229	142,694	143,158	143,623	144,088	144,553	145,017	145,482
2421 AERIAL CABLE NON MET	6,088	6,151	6,213	6,276	6,339	6,401	6,464	6,527	6,589	6,652	6,715	6,777	6,840
2422 UNDGRD CABLE MET	276,972	277,603	278,233	278,864	279,495	280,125	280,756	281,387	282,018	282,648	283,279	283,910	284,540
2422 UNDGRD CABLE NON MET	129,242	129,597	129,953	130,308	130,663	131,018	131,374	131,729	132,084	132,439	132,795	133,150	133,505
2423 BURIED CABLE MET	1,145,826	1,149,879	1,153,931	1,157,984	1,162,037	1,166,089	1,170,142	1,174,195	1,178,247	1,182,300	1,186,353	1,190,405	1,194,458
2423 BURIED CABLE NON MET	15,929	16,045	16,161	16,277	16,393	16,509	16,625	16,742	16,858	16,974	17,090	17,206	17,322
2424 SUB CABLE MET	2	2	2	2	2	2	2	2	2	2	2	2	2
2424 SUB CABLE NON MET													
2426 INTRA BLDG CABLE MET	30,667	30,760	30,853	30,946	31,039	31,133	31,226	31,319	31,412	31,505	31,598	31,691	31,784
2426 INTRA BLDG CABLE NON MET	677	685	693	701	709	717	725	733	741	749	757	765	773
2431 AERIAL WIRE	7,723	7,752	7,781	7,809	7,838	7,867	7,896	7,925	7,954	7,982	8,011	8,040	8,069
2441 CONDUIT SYSTEMS	318,958	319,902	320,846	321,790	322,734	323,678	324,622	325,566	326,510	327,454	328,398	329,342	330,286
Total	4,441,797	4,455,009	4,468,222	4,481,434	4,494,646	4,507,858	4,521,071	4,534,283	4,547,495	4,560,708	4,573,920	4,587,132	4,600,344

QWEST CORPORATION
Change in Arizona Intrastate Monthly Depreciation Accrual
Includes Brosch Adjustments and SXS, X-bar and Analog Depn Reserve

Class of Plant	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003	Prescribed Rates	1/1/03 Technical Update Rates
2112 MOTOR VEHICLES	47	47	47	47	46	46	46	46	46	46	46	46	4.9%	6.0%
2114 SPEC PURPOSE VEHICLES													10.2%	13.0%
2115 GARAGE WORK EQUIP	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	15.6%	14.6%
2116 OTHER WORK EQUIP	(155)	(157)	(158)	(160)	(161)	(163)	(165)	(166)	(168)	(169)	(171)	(172)	15.9%	8.2%
2121 BUILDINGS	39	39	39	40	40	40	40	41	41	41	42	42	3.0%	3.3%
2122 FURNITURE	(13)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	(14)	20.1%	6.7%
2123.1 OFFICE EQUIPMENT	(77)	(77)	(77)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	(78)	22.3%	0.0%
2123.2 COMPANY COM EQUIP	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(9)	(9)	6.1%	0.0%
2124 GEN PURPOSE CMPTR	(448)	(448)	(448)	(448)	(448)	(448)	(448)	(448)	(448)	(449)	(449)	(449)	9.4%	1.5%
2211 ANALOG SW EQUIP													16.2%	0.0%
2212 DIGITAL SW EQUIP	(816)	(817)	(817)	(818)	(819)	(819)	(820)	(821)	(822)	(822)	(823)	(824)	11.0%	9.9%
2220 OPERATOR SYSTEMS	37	36	34	33	32	31	30	28	27	26	25	23	1.6%	15.2%
2231 RADIO SYSTEMS	(73)	(73)	(73)	(74)	(74)	(74)	(74)	(74)	(74)	(75)	(75)	(75)	5.8%	1.5%
2232 CIRCUIT DDS	(17)	(17)	(17)	(17)	(17)	(17)	(17)	(16)	(16)	(16)	(16)	(16)	5.4%	0.0%
2232 CIRCUIT DIGITAL	(1,721)	(1,728)	(1,735)	(1,742)	(1,749)	(1,757)	(1,764)	(1,771)	(1,778)	(1,785)	(1,793)	(1,800)	9.8%	7.8%
2232 CIRCUIT ANALOG	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	(66)	3.2%	0.1%
2362 OTHER TERM EQUIP	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	7.5%	7.4%
2411 POLE LINES	(9)	(9)	(9)	(9)	(9)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	6.4%	6.1%
2421 AERIAL CABLE MET	(781)	(784)	(786)	(789)	(792)	(794)	(797)	(799)	(802)	(804)	(807)	(810)	12.6%	5.9%
2421 AERIAL CABLE NON MET	5	5	5	5	5	5	5	5	5	5	5	5	8.7%	9.6%
2422 UNDGRD CABLE MET	(969)	(972)	(974)	(976)	(978)	(980)	(983)	(985)	(987)	(989)	(991)	(994)	9.5%	5.3%
2422 UNDGRD CABLE NON MET	(172)	(173)	(173)	(174)	(174)	(175)	(175)	(176)	(176)	(177)	(177)	(178)	10.3%	8.7%
2423 BURIED CABLE MET	(3,724)	(3,737)	(3,750)	(3,763)	(3,777)	(3,790)	(3,803)	(3,816)	(3,829)	(3,842)	(3,856)	(3,869)	12.0%	8.1%
2423 BURIED CABLE NON MET	5	5	5	5	5	6	6	6	6	6	6	6	6.4%	6.6%
2424 SUB CABLE MET	()	()	()	()	()	()	()	()	()	()	()	()	86.1%	0.0%
2424 SUB CABLE NON MET													11.1%	0.0%
2426 INTRA BLDG CABLE MET	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	(13)	3.5%	3.0%
2426 INTRA BLDG CABLE NON MET	(3)	(3)	(3)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	13.1%	7.1%
2431 AERIAL WIRE	(67)	(67)	(67)	(68)	(68)	(68)	(68)	(69)	(69)	(69)	(69)	(70)	20.6%	10.2%
2441 CONDUIT SYSTEMS	27	27	27	27	27	27	27	27	27	27	27	27	2.2%	2.3%
Monthly Total	(8,980)	(9,009)	(9,039)	(9,068)	(9,098)	(9,127)	(9,156)	(9,186)	(9,215)	(9,245)	(9,274)	(9,303)		
Annual Total Using a Monthly "Spread"	($109,701)													

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFA-02

Arizona Corporation Commission
Docket No.
Title: Post Employment Benefits Other Than Pensions
Time: 12:55 PM
Date: 5/13/2004
Adj. # PFA-02

Qwest Corporation

Arizona Intrastate Operations
Commission Adjustment

Post Employment Benefits Other Than Pensions

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	67,241
Total Operating Income Taxes	(26,382)
Net Operating Income	(40,860)
Rate Base	(129,553)
Revenue Requirement	44,512

This adjustment reflects the adoption of SFAS 106 based on a 10 year amortization of the TBO.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 12:55 PM
PFA-02

		Post Employment Benefits Other Than Pensions
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	24,276
7	Engineering Expense	1,816
8	Network Operations	15,881
9	Network Administration	254
10	Access Expense	0
11	Other	158
12	Total Cost of Services & Products(L6 thru L11)	42,386
13	Customer Operations	
14	Corporate Operations	24,680
15	Property & Other Taxes	176
16	Uncollectibles	0
17	Tot Selling, General & Admin.(L13 thru L16)	24,856
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	67,241
23	Income From Operations (L5-L22)	(67,241)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(22,001)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(4,380)
26	**Net Operating Income (L23-L24-L25)**	(40,860)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(40,860)
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(40,860)
Rate Base		
34	Telephone Plant In Service	(131,998)
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	(80)
39	Accumulated Deferred Income Tax	(2,365)
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	(129,553)

QWEST - Regulated
INTRASTATE OPERATIONS
Arizona
Year 2003

Attachment A

		Line % for CWC	Income Line Percentage (A)	Commission Basis Intrastate (B)	Intrastate as Booked (C)	Intrastate Year 2003 Adjustment (D=B-C)	Removal of JR OBK 172 (E)	Total SFAS 106 Adjustment (F+D+E)	
Revenues									
1	Local Service Revenues								
2	Network Access Service Revenues								
3	Long Distance Network Service Rev.								
4	Miscellaneous								
5	Total Oper. Rev.								
Expenses									
6	Maintenance	35.53%	35.53%	42,681,426	18,405,729	24,275,697		24,275,697	
7	Engineering	2.66%	2.66%	3,193,424	1,377,117	1,816,308		1,816,308	
8	Network Operations	23.25%	23.25%	27,922,360	12,041,101	15,881,258		15,881,258	
9	Network Administration	0.37%	0.37%	447,358	192,916	254,441		254,441	
10	Access	0.00%	0.00%	-	-			-	
11	Other	0.23%	0.23%	277,488	119,662	157,825		157,825	
12	Total Cost of Service and Products			74,522,055	32,136,525	42,385,530	-	42,385,530	
13	Customer Operations	36.12%	36.12%	43,392,040	18,712,170	24,679,870		24,679,870	
14	Corporate Operations	1.83%	1.83%	2,202,619	949,846	1,252,772	(1,077,000)	175,772	
15	Property & Other Taxes	0.00%	0.00%	-				-	
16	Uncollectibles	0.00%	0.00%	-				-	
17	Total Selling, General & Administrative			45,594,659	19,662,017	25,932,642	(1,077,000)	24,855,642	
18		0.00%							
19		0.00%							
20	TOTAL OPERATING EXPENSE	100.00%	100.00%	120,116,714	51,798,542	68,318,172	(1,077,000)	67,241,172	67,241,171 check
Taxes									
21	Total Federal Income Tax			(39,111,443)	(16,866,227)	(22,245,216)	350,684	(21,894,532)	
22	Total State Income Tax			(8,369,733)	(3,609,322)	(4,760,411)	75,045	(4,685,366)	
23	**Net Operating Income**			(72,635,538)	(31,322,993)	(41,312,545)	651,270	(40,661,275)	
Other									
24	Nonoperating Income & Expense								
25	Nonoperating Income Tax								
26	Net Operating Earnings			(72,635,538)	(31,322,993)	(41,312,545)	651,270	(40,661,275)	
27	Interest Expense								
28	Juris Diff & Nonreg Net Income								
29	Extraordinary Items								
30	**Net Income**			(72,635,538)	(31,322,993)	(41,312,545)	651,270	(40,661,275)	
Rate Base									
31	EOP Telephone Plant In Service			6,230,447	4,723,898	1,506,549		1,506,549	
32	EOP Telephone Plant Adjustment								
33	Materials and Supplies								
34	EOP Accumulated Depreciation & Amortization Reserve			(332,762)	(252,299)	(80,463)		(80,463)	
35	EOP Accumulated Deferred Income Tax						(2,364,704)	(2,364,704)	
36	EOP OPEB Unfunded SFAS 106			133,505,030	0	133,505,030		133,505,030	
37	**End-of-Period Rate Base**			(126,941,821)	4,976,197	(131,918,018)	2,364,704	(129,553,314)	

Revenue Requirement	8.5%
Return on Ratebase	(11,012,032)
Net Income	(40,661,275)
Net	29,649,243
Gross Up	1.692988
Revenue Requirement	50,195,812

Attachment B w/documentation
Arizona
Calculation of Commission Basis OPEB Costs
Year 2003

Attachment B
With Documentation Changes

		(A) Actuarial Report 12/31/2003 U S WEST - REG.	(B) Spread to Components Total	(C) Total State As Booked Attachment C	(D) Composite Intrastate % Attachment C	(E=C*D) MR Intrastate As Booked	(F) Adjustment for Plan Earnings & TBO Attachment F	(G)=(E+F) MR Intrastate as Adjusted
Total Med. OPEB Costs:								
1	Service Cost	15,951,679	18.0034%	2,871,841	75.8123%	2,177,208		2,177,208
2	Interest Cost	308,171,161	18.0034%	55,481,225	75.8123%	42,061,570		42,061,570
3	Expected Return	(131,701,064)	17.8590%	(23,520,493)	75.8123%	(17,831,417)	17,831,417	-
4	Amort. of prior svc. cost	(24,995,645)	17.8590%	(4,463,972)	75.8123%	(3,384,238)		(3,384,238)
5	Amort. of actuarial gain	89,613,044	17.8590%	16,003,994	75.8123%	12,132,989		12,132,989
6	Subtotal Medical Costs	257,039,175	87.0326%	46,372,594		35,156,112	17,831,417	52,987,529
7	TBO Amortization	126,864,000	97.1818%	21,940,866	76.0852%	16,693,742	50,516,258	67,210,000
8	Subtotal Medical Costs	383,903,175		68,313,460		51,849,854	68,347,675	120,197,529
9								
10	Total Medical Costs	383,903,175		68,313,460		51,849,854	68,347,675	120,197,529
Total Life OPEB Costs:								
11	Service Cost	1,957,431	18.0523%	353,360	75.8123%	267,891		267,891
12	Interest Cost	34,121,357	18.0523%	6,159,675	75.8123%	4,669,789		4,669,789
13	Expected Return	(3,223,286)	17.8590%	(575,647)	75.8123%	(436,411)	436,411	-
14	Amort. of prior svc. cost	15,796,315	17.8590%	2,821,064	75.8123%	2,138,712		2,138,712
15	Amort. of actuarial gain	(10,354,227)	17.8590%	(1,849,161)	75.8123%	(1,401,891)		(1,401,891)
16	Subtotal	38,297,590	12.9674%	6,909,292		5,238,090	436,411	5,674,501
17	TBO Amortization	3,679,000	2.8182%	636,275	76.0852%	484,111	7,148,889	7,633,000
18	Subtotal Life Costs	41,976,590		7,545,567		5,722,201	7,585,300	13,307,501
19								
20	Total Life Costs	41,976,590		7,545,567		5,722,201	7,585,300	13,307,501
Total OPEB Costs (Med.& Life):								
21	Service Cost	17,909,110	18.0087%	3,225,202		2,445,099	-	2,445,099
22	Interest Cost	342,292,518	18.0083%	61,640,900		46,731,359	-	46,731,359
23	Expected Return	(134,924,350)	17.8590%	(24,096,140)		(18,267,828)	18,267,828	-
24	Amort. of prior svc. cost	(9,199,330)	17.8590%	(1,642,908)		(1,245,526)	-	(1,245,526)
25	Amort. of actuarial gain	79,258,817	17.8590%	14,154,832		10,731,098	-	10,731,098
26	Subtotal	295,336,765		53,281,886		40,394,202	18,267,828	58,662,030
27	TBO Amortization	130,543,000	17.2948%	22,577,141		17,177,853	57,665,147	74,843,000
28	Subtotal Med. & Life Costs	425,879,765		75,859,027		57,572,055	75,932,975	133,505,030
29								
30	Total Med. & Life Costs	425,879,765		75,859,027		57,572,055	75,932,975	133,505,030
31	Medical Benefit Payments	322,116,407	17.8590%	57,526,769	75.8935%	43,659,067		43,659,067
32	Medical Non-Trust Claims	116,152,798	17.8590%	20,743,728	75.8935%	15,743,137		15,743,137
33	Medical Trust Claims	205,963,609	17.8590%	36,783,041	75.8935%	27,915,930		27,915,930
33a	Life Trust Payments	33,074,789	17.8590%	5,906,827	75.8935%	4,482,896		4,482,896
34	OPEB Contribution to Rate Base							133,505,030
35	Total Expense					51,798,543	68,318,171	120,116,714
36	Total Capital					5,773,512	7,614,804	13,388,316
37	Total Expense and Capital					57,572,055	75,932,975	133,505,030

Qwest
Calculation of Intrastate Actuals for OPEB
Year 2003
Arizona

Attachment C

	Account Description	Account Number	Current Year Cost as Booked (A)	MR Year 2003 Current Yr Cost (B)	Percentage of Total (C)	Intrastate Percentage (D)	Intrastate Amount (E=B*D)	Percentage of Total (F)	TBO Amortization As Booked (G)	MR Year 2003 TBO Amort (H)	Percentage of Total (I)	Intrastate Percentage (J)	Intrastate Amount (K=H*J)	MR As Booked (L=B+H)	Total Intrastate As Booked (M=E+K)	Percent to Total (N)
	EXPENSES:															
	Plant Specific Operations Expense:															
1	Network Support	6110	47,843	47,843	0.11%	74.48%	35,635	0.10%	-	-	0.00%	74.48%	-	47,843	35,635	0.0688%
2	General Support	6120	357,262	357,262	0.79%	74.48%	266,103	0.77%	75,310	75,310	0.33%	74.48%	56,094	432,572	322,196	0.6220%
3	Central Office Switching	6210	2,718,578	2,718,578	6.02%	74.48%	2,024,903	5.85%	-	-	0.00%	74.48%	-	2,718,578	2,024,903	3.9092%
4	Operator System	6220	-	-	0.00%	74.48%	-	0.00%	-	-	0.00%	74.48%	-	-	-	0.0000%
5	Central Office Transmission	6230	2,532,904	2,532,904	5.61%	74.48%	1,886,606	5.45%	-	-	0.00%	74.48%	-	2,532,904	1,886,606	3.6422%
6	Info. Originating/Terminating	6310	3,357,279	3,357,279	7.43%	74.48%	2,500,632	7.22%	-	-	0.00%	74.48%	-	3,357,279	2,500,632	4.8276%
7	Cable and Wire Facilities	6410	13,381,506	13,381,506	29.63%	74.48%	9,967,068	28.79%	-	-	0.00%	74.48%	-	13,381,506	9,967,068	19.2420%
8	Testing Expense	6533	2,240,335	2,240,335	4.96%	74.48%	1,668,689	4.82%	-	-	0.00%	74.48%	-	2,240,335	1,668,689	3.2215%
9	Total Plant Specific Expense		24,635,708	24,635,707	54.55%		18,349,635	1	75,310	75,310			56,094	24,711,017	18,405,729	35.5333%
10	Plant NonSpecific Operations Expense:															
11	Other Property, Plant & Equip.	6510	163,874	163,874	0.36%	73.02%	119,662	0.35%	-	-	0.00%	73.02%	-	163,874	119,662	0.2310%
12	Engineering	6535	548,607	548,607	1.21%	72.53%	397,901	1.15%	1,350,094	1,350,094	5.98%	72.53%	979,215	1,898,701	1,377,116	2.6586%
13	Network Operations	6534	2,605,542	2,605,542	5.77%	74.07%	1,929,834	5.57%	13,651,607	13,651,607	60.47%	74.07%	10,111,267	16,257,149	12,041,101	23.2460%
14	Network Administration	6532	240,173	240,173	0.53%	72.63%	174,444	0.50%	25,433	25,433	0.11%	72.63%	18,473	265,606	192,917	0.3724%
15	Access Expense	6540	-	-	0.00%	24.76%	-	0.00%	-	-	0.00%	24.76%	-	-	-	0.0000%
16	Depreciation and Amortization	6560	-	-	0.00%	76.82%	-	0.00%	-	-	0.00%	76.82%	-	-	-	0.0000%
17	Total Plant Non Specific Expense		3,558,196	3,558,196	7.88%		2,621,841	0	15,027,134	15,027,134			11,108,955	18,585,330	13,730,797	26.5081%
18	Customer Operations Expense															
19	Marketing	6610	649,689	649,689	1.44%	80.51%	523,057	1.51%	289,094	289,094	1.28%	80.51%	232,746	938,783	755,803	1.4591%
20	Services	6620	15,485,188	15,485,188	34.29%	80.51%	12,466,939	36.01%	6,818,420	6,818,420	30.20%	80.51%	5,489,428	22,303,608	17,956,367	34.6658%
21	Total Customer Operations Exp.		16,134,877	16,134,877	35.73%		12,989,996		7,107,515	7,107,514			5,722,174	23,242,391	18,712,170	36.1249%
22	Corporate Operations Expense															
23	Executive and Planning	6710	7,280	7,280	0.02%		5,762	0.02%	3,210	3,210	0.01%	79.15%	2,541	10,490	8,303	0.0160%
24	General & Administrative	6720	825,578	825,578	1.83%	79.15%	653,455	1.89%	363,973	363,973	1.61%	79.15%	288,089	1,189,551	941,544	1.8177%
25	Total Corporate Operations Expense		832,858	832,858	1.84%		659,217		367,184	367,183			290,630	1,200,041	949,847	1.8337%
26	Uncollectible	5300	-	-	0.00%	79.15%	-	0.00%	-	-	0.00%	79.15%	-	-	-	0.0000%
27	Property and Other Taxes	7240	-	-	0.00%	79.15%	-	0.00%	-	-	0.00%	79.15%	-	-	-	0.0000%
28					0.00%			0.00%			0.00%	0.00%				0.0000%
29	TOTAL OPERATING EXPENSE		45,161,638	45,161,638		76.66%	34,620,690		22,577,142	22,577,141		76.09%	17,177,853	67,738,779	51,798,543	100.0000%
30	Rate Base				100.00%											
31	Telecommunication Plant:															
32	Plant in Service	2001	6,644,001	6,644,001	77.68%	72.21%	4,797,826	83.10%	-	-			-	6,644,001	4,797,826	81.8202%
33	Property Held for Future Use	2002	-	-	0.00%	0.00%	-	0.00%	-	-			-	-	-	0.0000%
34	Short-term Plant under Construction	2003	965,742	965,742	18.86%	73.65%	711,306	12.32%	-	-			-	965,742	711,306	12.3200%
35	Long-term Plant under Construction	2004	151,107	151,107	1.79%	0.00%	-	0.00%	-	-			-	151,107	-	0.0000%
	Non Operating Plant	2006	4,547	4,547	0.06%	0.00%			-	-				4,547		
36	Subtotal		7,765,398	7,765,398	98.39%		5,509,131					-	-	7,765,397.00	5,509,131.48	94.1402%
37	Less: Accum. Depreciation	3100	(354,850)	(354,850)	1.61%	74.50%	(264,380)	4.58%	-	-			-	(354,850)	(264,380)	-4.3699%
38	Less: Accum. Amortization	3400	-	-	0.00%	74.50%	-	0.00%	-	-			-	-	-	
39	Less: Accum. Def Income Tax	4100, 4340	-	-	0.00%	61.23%	-	0.00%	-	-			-	-	-	
40	Net Rate Base		8,120,248	8,120,248	100.00%		5,773,512						-	8,120,247	5,773,512	98.51%
41	Other Accounts	0	221,890	221,890	0.41%	0.00%	N/A		-	-	0.00%		N/A	221,890	N/A	
42	Total Expense		45,161,638	45,161,638	84.41%	76.66%	34,620,690	85.71%	22,577,142	22,577,141	100.00%	76.09%	17,177,853	67,738,779	51,798,543	89.97%
43	Total Expense		45,161,638	45,161,638			34,620,690		22,577,142	22,577,141			17,177,853	67,738,779	51,798,543	
44	Total Capital		8,120,248	8,120,248	15.18%	71.10%	5,773,512	14.29%	-	-			-	8,120,247	5,773,512	10.03%
45	Total Booked OPEB Costs		53,503,776	53,503,776	100.00%		40,394,202	100.00%	22,577,142	22,577,141	100.00%		17,177,853	76,080,916	57,572,055	75.67%
46	Total Booked Regulated OPEB		53,281,886	53,281,886		75.81%	40,394,202		22,577,142	22,577,141		76.09%	17,177,853	75,859,026	57,572,055	75.89%
47	Percentage of QWEST Regulated		18.12%	18.12%					17.27%	17.27%						
	% Capital			15.18%												

QWEST - Regulated

CALC OF ARIZONA INTRASTATE MEDICAL TBO AMORTIZATION

Attachment D

		Medical 12/31/2003 estimate
1	Qwest estimated Medical APBO	4,946,246,526
2	Arizona total state percent	17.8590%
3	L1 * L2	883,350,000
4	Arizona reg. intrastate %	76.0852%
5	AZ reg. intra. 12/31/03 APBO (L3xL4])	672,098,000
6	TBO Amortization Period	10
7	AZ reg. intra. est. TBO amort. Amt. (L5/L6)	67,210,000

Medical TBO Amortization Schedule:

Year	(A) Amort. Period Remaining at Jan. 1 2003	(B) Beg. of Year Unamortized Med. TBO Bal.	(C) Total Curr. Yr Medical TBO Amort. Exp.	(D) Cumulative Medical TBO Amort. Exp.	(E) End of Year Unamortized Medical TBO Balance
2004	**10**	**672,098,000**	**67,210,000**	**67,210,000**	**604,888,000**
2005	9	604,888,000	67,210,000	134,420,000	537,678,000
2006	8	537,678,000	67,210,000	201,630,000	470,468,000
2007	7	470,468,000	67,210,000	268,840,000	403,258,000
2008	6	403,258,000	67,210,000	336,050,000	336,048,000
2009	5	336,048,000	67,210,000	403,260,000	268,838,000
2010	4	268,838,000	67,210,000	470,470,000	201,628,000
2011	3	201,628,000	67,210,000	537,680,000	134,418,000
2012	2	134,418,000	67,210,000	604,890,000	67,208,000
2013	1	67,208,000	67,210,000	672,100,000	(2,000)
Subtotal			672,100,000		

QWEST - Regulated

CALC OF ARIZONA INTRASTATE LIFE TBO AMORTIZATION

Attachment D

		Life 12/31/2003 estimate
1	Qwest estimated Life APBO	561,713,015
2	Arizona total state percent	17.8590%
3	L1 * L2	100,316,000
4	Arizona reg. intrastate %	76.0852%
5	AZ reg. intra. 12/31/03 APBO (L3xL4])	76,326,000
6	TBO Amortization Period	10
7	AZ reg. intra. est. TBO amort. Amt. (L5/L6)	7,633,000

Life assets are greater than APBO therefore there is not a transition benefit obligation based on the test year.

Life TBO Amortization Schedule:

Year	(A) Amort. Period Remaining at Jan. 1 2003	(B) Beg. of Year Unamortized Med. TBO Bal.	(C) Total Curr. Yr Medical TBO Amort. Exp.	(D) Cumulative Medical TBO Amort. Exp.	(E) End of Year Unamortized Medical TBO Balance
2004	**17.3**	**76,326,000**	**7,633,000**	**7,633,000**	**68,693,000**
2005	16.3	68,693,000	7,633,000	15,266,000	61,060,000
2006	15.3	61,060,000	7,633,000	22,899,000	53,427,000
2007	14.3	53,427,000	7,633,000	30,532,000	45,794,000
2008	13.3	45,794,000	7,633,000	38,165,000	38,161,000
2009	12.3	38,161,000	7,633,000	45,798,000	30,528,000
2010	11.3	30,528,000	7,633,000	53,431,000	22,895,000
2011	10.3	22,895,000	7,633,000	61,064,000	15,262,000
2012	9.3	15,262,000	7,633,000	68,697,000	7,629,000
2013	8.3	7,629,000	7,633,000	76,330,000	(4,000)
2014	7.3	(4,000)	7,633,000	83,963,000	(7,637,000)
2015	6.3	(7,637,000)	7,633,000	91,596,000	(15,270,000)
2016	5.3	(15,270,000)	7,633,000	99,229,000	(22,903,000)
2017	4.3	(22,903,000)	7,633,000	106,862,000	(30,536,000)
2018	3.3	(30,536,000)	7,633,000	114,495,000	(38,169,000)
2019	2.3	(38,169,000)	7,633,000	122,128,000	(45,802,000)
2020	1.3	(45,802,000)	7,633,000	129,761,000	(53,435,000)
Subtotal			129,761,000		
2021	0.3	(53,435,000)	(53,435,000)	76,326,000	-
Totals	17.3		76,326,000		

Qwest Regulated
State of Arizona
Year 2003
Arizona Intrastate Commission Basis Plan Earnings Calc. w funding on 3/31, 6/30, 9/30, & 12/31

Attachment E

	CAN ELIMINATE ATTACHMENT	(A) Medical Year 2003 Arizona Intra. amt	(B) Life Year 2003 Arizona Intra. amt	(C=A+B) Total Year 2003 Arizona Intra. amt
Arizona				
	MEDICAL PLAN EARNINGS ON BOY ASSETS:			
1	BOY Intra. Reg. Med. Plan Assets	-		
2	Expected Investment Return Percentage	9.00%	9.00%	9.00%
3	Plan Earnings on BOY Medical Assets	-		
4	Estimated benefit pymts	43,659,067	4,482,896	48,141,963
5	Service Cost Total Liability MR Intra.	2,177,208	267,891	2,445,099
6	Interest Cost Total Liability MR Intra.	42,061,570	4,669,789	46,731,359
7	Plan Earn Total Liability MR Intra.	-	-	0
8	Amort. of actuarial gain (exp. + cap.) MR Intra.	8,748,751	736,821	9,485,572
9	Subtotal OPEB (excl TBO Amort) (L5…L8)	52,987,529	5,674,501	58,662,030
10	TBO Amortization - Arizona	67,210,000	7,633,000	74,843,000
11	Total OPEB Liability (L9 + L10)	120,197,529	13,307,501	133,505,030
12	Current year Medical non-trust claims	15,743,137	0	15,743,137
13	Current year trust claim pymts	27,915,930	4,482,896	32,398,826
	MEDICAL OPEB EXPENSE CALC:			
14	Service Cost	2,177,208	267,891	2,445,099
15	Interest Caost	42,061,570	4,669,789	46,731,359
16	Amortization of actuarial gain	8,748,751	736,821	9,485,572
17	Expected Plan Earnings	-	-	-
18	Amortization of Medical TBO	67,210,000	7,633,000	74,843,000
19	Final calc OPEB Liability	120,197,529	13,307,501	133,505,030
20	Medical Amount Fundable - Rate Base Deduction	120,197,529	13,307,501	133,505,030

Qwest - Regulated
INTRASTATE OPERATIONS
Arizona
Year 2003
Commission Adjustment for Plan Earnings and TBO

Attachment F

The amounts on Lines 5, 6 and 7 are posted to Attachment B Column F

		(A) Year 2003 Arizona
Calculation of Medical OPEBs Commission Adjustment:		
1	Commission Basis Expected Return - Attach. E Col A L 7	-
2	Commission Basis TBO Amortization - Attach. D L 7	67,210,000
3	MR Intrastate as Booked Expected Return - Attach. B Col E L 3	(17,831,417)
4	MR Intrastate as Booked TBO Amortization - Attach. B Col E L 6	16,693,742
5	Commission Basis Adjustment Expected Return L 1 - L 3	17,831,417
6	Commission Basis Adjustment TBO Amortization L 2 - L 4	50,516,258
Calculation of Life OPEBs Commission Adjustment:		
7	Commission Basis Expected Return - Attach. E Col B L 7	-
9	Commission Basis TBO Amortization - Attach. D L 7	7,633,000
9	MR Intrastate as Booked Expected Return - Attach. B Col E L 3	(436,411)
10	MR Intrastate as Booked TBO Amortization - Attach. B Col E L 6	484,111
11	Commission Basis Adjustment Expected Return L 1 - L 3	436,411
12	Commission Basis Adjustment TBO Amortization L 2 - L 4	7,148,889

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFA-03

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 12:57 PM
PFA-03

		SOP98 Adoption
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	(18,659)
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	(18,659)
18	Other Operating Income & Expense	
19	Depreciation Expense	4,332
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(14,328)
23	Income From Operations (L5-L22)	14,328
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	4,803
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	1,028
26	**Net Operating Income (L23-L24-L25)**	8,496
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	8,496
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	8,496
Rate Base		
34	Telephone Plant In Service	17,830
35	Short-Term Plant Under Contruction	0
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	3,503
39	Accumulated Deferred Income Tax	5,831
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base**	8,496
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

Arizona Corporation Commission
Docket No.
Title: SOP98 Adoption
Time: 12:57 PM
Date: 5/13/2004
Adj. # PFA-03

Qwest Corporation

Arizona Intrastate Operations
Accounting Adjustment

SOP98 Adoption

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	(14,328)
Total Operating Income Taxes	5,831
Net Operating Income	8,496
Rate Base	8,496
Revenue Requirement	(12,736)

This adjustment removes the impact of an accrued liability for franchise taxes collected for TRS.

FEDS Financial Data
SOURCE: FICUS FEDS Financials
ENTERPRISE: USWC
JEC: AZ
BAC: 0360 & 0373
REPORT PERIOD: Jan thru Dec 2003
RUN DATE/TIME: 03/26/04 07.07.07

BAC 0360 - SOFTWARE CAPITALIZATION - Jurisdictional Difference

		(A)=B+L	(B)=C+D+E+O	(C)	(D)	(E)	(F)	(G)	(H)
		Total In Year Capitalized - 6724.8	Total 2690 Capitalization + AFUDC	INTANG SOFTWARE DEV INTRNL DVL	INTNGBL SFTWR THRD PARTY LICNS	INTNGBL SFTWR NETWORK SOFTWARE	AC AMRT INTANG SOFTWARE INTRNL	AC AMRT INTNGBL SFTWR THD PRTY	AC AMRT INTNGBL SFTWR-NETWORK
ACTY	**MONTH**	**Acct->>**	**2690**	**26905100**	**26905300**	**26905400**	**35005100**	**35005300**	**35005400**
360	1	0	(998,503)	(838,554)	(178,048)		1,590,414	424,176	46,041
360	2	0	(2,249,957)	(1,867,751)	(400,119)		1,604,867	427,143	
360	3	0	(2,237,387)	(2,137,508)	(127,977)		1,607,704	433,812	
360	4	0	(2,280,366)	(2,081,123)	(241,006)		1,608,823	435,945	
360	5	0	(2,045,363)	(2,086,540)	(9,898)		1,981,030	439,962	
360	6	0	(2,767,194)	(2,414,564)	(416,550)		1,983,340	440,127	
360	7	828,730	(1,740,160)	(2,161,441)	(471,280)	828,730	2,022,890	447,069	(960,118)
360	8	0	(2,690,737)	(2,450,348)	(283,527)		2,112,138	454,924	
360	9	0	(2,609,259)	(2,367,154)	(289,313)		2,142,606	459,649	
360	10	0	16,657,923	16,443,803	165,365		2,168,033	464,471	0
360	11	0	(664,487)	(232,630)	(432,489)		2,074,383	461,715	
360	12	0	(14,204,838)	(13,738,722)	(466,225)		2,031,014	468,923	
ANNUAL 2003:		**828,730**	**(17,830,328)**	**(15,932,530)**	**(3,151,067)**	**828,730**			

BAC 0373 - SOFTWARE CAPITALIZATION - MR Onbook

		(A)=B-L	(B)=C+D+E+O	(C)	(D)	(E)	(F)	(G)	(H)

FEDS Financial Data
SOURCE: FICUS FEDS Financials
ENTERPRISE: USWC
JEC: AZ
BAC: 0360 & 0373
REPORT PERIOD: Jan thru Dec 2003
RUN DATE/TIME: 03/26/04 07.07.07

BAC 0360 - SOFTWARE CAPITALIZATION - Jurisdictional Difference

		(A)=B+L	(B)=C+D+E+O	(C)	(D)	(E)	(F)	(G)	(H)
		Total In Year Capitalized - 6724.8	Total 2690 Capitalization + AFUDC	INTANG SOFTWARE DEV INTRNL DVL	INTNGBL SFTWR THRD PARTY LICNS	INTNGBL SFTWR NETWORK SOFTWARE	AC AMRT INTANG SOFTWARE INTRNL	AC AMRT INTNGBL SFTWR THD PRTY	AC AMRT INTNGBL SFTWR-NETWORK
		Total In Year Capitalized - 6724.8	Total 2690 Capitalization + AFUDC	INTANG SOFTWARE DEV INTRNL DVL	INTNGBL SFTWR THRD PARTY LICNS	INTNGBL SFTWR NETWORK SOFTWARE	AC AMRT INTANG SOFTWARE INTRNL	AC AMRT INTNGBL SFTWR THD PRTY	AC AMRT INTNGBL SFTWR-NETWORK
ACTY	**MONTH**	**Acct->>**	**2690**	**26905100**	**26905300**	**26905400**	**35005100**	**35005300**	**35005400**
373	1	0	1,403,378	1,153,135	250,243		(2,764,532)	(603,017)	(732,024)
373	2	0	3,299,900	2,737,540	562,360		(2,784,846)	(607,187)	(654,475)
373	3	0	3,145,737	2,965,868	179,869		(2,788,832)	(616,560)	(646,324)
373	4	(0)	3,205,108	2,866,379	338,729		(2,790,405)	(619,558)	(756,496)
373	5	0	2,848,120	2,834,208	13,912		(2,806,091)	(625,203)	(760,954)
373	6	0	3,889,239	3,303,786	585,453		(2,809,337)	(625,435)	(779,959)
373	7	0	3,610,587	2,948,211	662,376		(2,864,923)	(635,193)	(819,263)
373	8	0	3,781,781	3,383,289	398,492		(2,990,361)	(646,232)	(783,852)
373	9	0	3,667,204	3,260,580	406,624		(3,033,183)	(652,874)	(749,705)
373	10	0	(23,411,901)	(23,179,483)	(232,418)		(3,068,919)	(659,651)	(772,737)
373	11	0	933,425	325,570	607,855		(2,937,296)	(655,777)	(741,568)
373	12	(0)	19,964,750	19,309,479	655,270		(2,876,342)	(665,908)	(757,911)
ANNUAL 2003:		**(0)**	**26,337,327**	**21,908,560**	**4,428,767**	**0**			

FEDS Financial Data
SOURCE: FICUS FEDS Financials
ENTERPRISE: USWC
JEC: AZ
BAC: 0360 & 0373
REPORT PERIOD: Jan thru Dec 2003
RUN DATE/TIME: 03/26/04 07.07.07

BAC 0360 - SOFTWARE CAPITALIZATION - Jurisdictional Difference

		(A)=B+L	(I)	(J)	(K)	(L)	(M)	(N)	(O)
		Total In Year Capitalized - 6724.8	NET NCUR DEF OPR IN TX FEDERAL	NET NCUR DEF OPR INC TAX ST/LC	AMORT-EXP-INTANGBL	INF MGM EX-SFTW AMT CAPITAL	PRVSN DEF OP IN TAX NT FEDERAL	PRVSN DEF OP IN TAX NET ST/LC	ALLOW FOR FUND USED DUR CONST
ACTY	MONTH	Acct-->>	43401000	43402000	6564	67248000	72501000	72502000	7340
360	1	0	(339,948)	(72,748)	(2,060,631)	998,503	339,948	72,748	18,099
360	2	0	76,799	16,435	(2,032,011)	2,249,957	(76,799)	(16,435)	17,913
360	3	0	72,927	15,606	(2,041,516)	2,237,387	(72,927)	(15,606)	28,098
360	4	0	90,312	19,326	(2,044,768)	2,280,366	(90,312)	(19,326)	41,762
360	5	0	(105,679)	(22,615)	(2,420,992)	2,045,363	105,679	22,615	51,075
360	6	0	132,735	28,405	(2,423,467)	2,767,194	(132,735)	(28,405)	63,920
360	7	828,730	95,779	20,496	(2,338,571)	2,568,889	(95,779)	(20,496)	63,832
360	8	0	54,316	11,624	(2,567,062)	2,690,737	(54,316)	(11,624)	43,138
360	9	0	17,652	3,777	(2,602,255)	2,609,259	(17,652)	(3,777)	47,208
360	10	0	(6,265,319)	(1,340,760)	(2,632,504)	(16,657,923)	6,265,319	1,340,760	48,754
360	11	0	(609,213)	(130,370)	(2,536,098)	664,487	609,213	130,370	631
360	12	0	3,811,292	815,605	(2,499,937)	14,204,838	(3,811,292)	(815,605)	110
ANNUAL 2003:		**828,730**			**(28,199,811)**	**18,659,057**	**2,968,349**	**635,218**	**424,540**

BAC 0373 - SOFTWARE CAPITALIZATION - MR Onbook

		(A)=B-L	(I)	(J)	(K)	(L)	(M)	(N)	(O)

FEDS Financial Data
SOURCE: FICUS FEDS Financials
ENTERPRISE: USWC
JEC: AZ
BAC: 0360 & 0373
REPORT PERIOD: Jan thru Dec 2003
RUN DATE/TIME: 03/26/04 07.07.07

BAC 0360 - SOFTWARE CAPITALIZATION - Jurisdictional Difference

		(A)=B+L	(I)	(J)	(K)	(L)	(M)	(N)	(O)
		Total In Year Capitalized - 6724.8	NET NCUR DEF OPR IN TX FEDERAL	NET NCUR DEF OPR INC TAX ST/LC	AMORT-EXP-INTANGBL	INF MGM EX-SFTW AMT CAPITAL	PRVSN DEF OP IN TAX NT FEDERAL	PRVSN DEF OP IN TAX NET ST/LC	ALLOW FOR FUND USED DUR CONST
		Total In Year Capitalized - 6724.8	NET NCUR DEF OPR IN TX FEDERAL	NET NCUR DEF OPR INC TAX ST/LC	AMORT-EXP-INTANGBL	INF MGM EX-SFTW AMT CAPITAL	PRVSN DEF OP IN TAX NT FEDERAL	PRVSN DEF OP IN TAX NET ST/LC	ALLOW FOR FUND USED DUR CONST
ACTY	**MONTH**	**Acct->>**	**43401000**	**43402000**	**6564**	**67248000**	**72501000**	**72502000**	**7340**
373	1	0			4,099,573	(1,403,378)			
373	2	0			4,046,508	(3,299,900)			
373	3	0			4,051,717	(3,145,737)			
373	4	(0)			4,166,459	(3,205,108)			
373	5	0			4,192,248	(2,848,120)			
373	6	0			4,214,731	(3,889,239)			
373	7	0			4,319,379	(3,610,587)			
373	8	0			4,420,446	(3,781,781)			
373	9	0			4,435,762	(3,667,204)			
373	10	0			4,501,307	23,411,901			
373	11	0			4,334,642	(933,425)			
373	12	(0)			4,300,160	(19,964,750)			
ANNUAL 2003:		**(0)**			**51,082,931**	**(26,337,327)**	**0**	**0**	**0**

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFA-04

Arizona Corporation Commission
Docket No.
Title:

Plant Under Construction

Time: 1:13 PM
Date: 5/13/2004
Adj. # PFA-04

Qwest Corporation

Arizona Intrastate Operations
Accounting Adjustment

Plant Under Construction

Test Year Ending December 31, 2003

$(000)

Operating Revenues	95
Operating Expenses	(71)
Total Operating Income Taxes	65
Net Operating Income	101
Rate Base	20,406
Revenue Requirement	3,680

This adjustment adds TPUC to Rate Base and adds AFUDC to revenues consistent with FCC Revenue Offset Method and rates.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 1:13 PM
PFA-04

		Plant Under Construction
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	95
5	Total Oper. Rev. (L1 thru L4)	95
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	(71)
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(71)
23	Income From Operations (L5-L22)	166
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	54
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	11
26	**Net Operating Income (L23-L24-L25)**	101
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	101
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	101
Rate Base		
34	Telephone Plant In Service	(1,047)
35	Plant Under Contruction	21,448
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	(71)
39	Accumulated Deferred Income Tax	65
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base**	20,406
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

ARIZONA
2003
Credits ( )

Add TPUC to Rate Base	EOP Balance Per Books						Adjustment		
							Remove Current	Remove AFUDC	Total
Plant Under Construction	**MR**	**Plant Under Construction**	**MR Intrastate**	**BAC 0311**	**BAC 360***	**JR Intrastate**	**AFUDC (0311)**	**BAC 360***	**Adjustment**
Plant in Service							(1,047,189.99)		**(1,047,189.99)**
Short Term Plant Under Construction	25,471,665.86	70.965%	18,075,967.68	(284,208.12)	825,455.03	18,617,214.59	135,112.07	424,539.78	19,176,866.44
Long-Term Plant Under Construction	2,642,220.36	72.092%	1,904,829.50	190,628.44		2,095,457.94	175,534.09		2,270,992.03
Total Plant Under Construction	28,113,886.22		19,980,797.18	(93,579.68)	825,455.03	20,712,672.53	310,646.16	424,539.78	21,447,858.47
Accum Depreciation							(70,708.21)		**(70,708.21)**
Total Rate Base Adjustment						20,712,672.53	(665,835.62)	424,539.78	**20,471,376.69**
Revenues									
AFUDC Acct 7340	(134,304.51)	70.835%	(95,134.60)	(736,543.83)	424,539.78	(407,138.65)	736,543.83	(424,539.78)	**(95,134.60)**
Expenses									
Depreciation Expense @ 9.6% **							(70,708.21)		**(70,708.21)**
Net Income before Taxes						(407,138.65)	665,835.62	(424,539.78)	**(165,842.81)**

* SOP 98 removed in separate entry
** 2003 Composite SR Depr. Rate per Jim Jones

	AFUDC JD - BAC 0311	Beginning Balance	Current YTD	Ending Balance
2001	Plant In Service	22,433,538.55	1,047,189.99	23,480,728.54
2003	S-T Plant Under Construction	(149,096.05)	(135,112.07)	(284,208.12)
2004	L-T Plant Under Construction	366,162.53	(175,534.09)	190,628.44
3100	Accum Depreciation	(10,723,464.09)	(3,114,935.89)	(13,838,399.98)
4340.1	Accum Deferred Operating FIT	(3,810,950.44)	774,433.01	(3,036,517.43)
4340.2	Accum Deferred Operating SIT	(1,036,706.87)	165,726.35	(870,980.52)
4550.3	Retained Earnings	(7,079,483.63)	-	(7,079,483.63)
6561.2	Depreciation Expense		3,114,935.89	3,114,935.89
7250.1	Deferred Operating FIT		(774,433.01)	(774,433.01)
7250.2	Deferred Operating SIT		(165,726.35)	(165,726.35)
7340	AFUDC		(736,543.83)	(736,543.83)
		0.00	0.00	(0.00)

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Normalizing Adjustments

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-01

Arizona Corporation Commission
Docket No.
Title: Out of Period Revenue and Expense
Time: 1:28 PM
Date: 5/13/2004
Adj. # PFN-01

Qwest Corporation

Arizona Intrastate Operations

Out of Period Revenue and Expense

Test Year Ending December 31, 2003

$(000)

Operating Revenues	(1,268)
Operating Expenses	(11,710)
Total Operating Income Taxes	4,097
Net Operating Income	6,345
Rate Base	(10,508)
Revenue Requirement	(12,392)

This adjustment (a) removes transactions that were booked during the test year but applicable to prior periods and (b) adds transactions that were booked following the test year but applicable to the test year.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 1:28 PM
PFN-01

		Out of Period Revenue and Expense
Revenues		
1	Local Service Revenues	(21)
2	Network Access Service Revenues	(1,905)
3	Long Distance Network Service Rev.	
4	Miscellaneous	657
5	Total Oper. Rev. (L1 thru L4)	(1,268)
Expenses		
6	Maintenance	(11,693)
7	Engineering Expense	1
8	Network Operations	193
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	(11,499)
13	Customer Operations	1
14	Corporate Operations	
15	Property & Other Taxes	(54)
16	Uncollectibles	135
17	Tot Selling, General & Admin.(L13 thru L16)	81
18	Other Operating Income & Expense	(208)
19	Depreciation Expense	(83)
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(11,710)
23	Income From Operations (L5-L22)	10,441
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	3,416
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	680
26	**Net Operating Income (L23-L24-L25)**	6,345
Other		
27	Nonoperating Income & Expense	793
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	5,552
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	5,552
Rate Base		
34	Telephone Plant In Service	2,376
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	(11,138)
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	1,745
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base**	(10,508)
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Summary	Total State	Intrastate Factor	Intrastate
Add: Items Booked in 2004 Relating to 2003			
Local Network Service Revenue	0	100.00%	0
Network Access Service Revenues	816	100.00%	816
Miscellaneous	318	80.95%	257
Uncollectibles	(47)	78.67%	(37)
Remove: Items Booked in 2003 Relating to 2002			
Local Network Service Revenue	(21)	100.00%	(21)
Network Access Service Revenues	(2,721)	100.00%	(2,721)
Miscellaneous	494	80.95%	400
Uncollectibles	218	78.67%	171

Net Out of Period Adjustment	Total State	Intrastate Factor	Intrastate
Local Network Service Revenue	(21)	100.00%	(21)
Network Access Service Revenues	(1,905)	100.00%	(1,905)
Miscellaneous	812	80.95%	657
Uncollectibles	171	78.67%	135

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	JAN	FEB	MAR	APR
Items BOOKED IN 2003 RELATING TO 2002								
Local Network Service Revenue	50012100	130	REVWEST	ENTRY TO BOOK SERVICE GRATUITY FOR LTHE TELEPHONE ASSISTANT PLAN FOR THE MONTHOF DECEMBER,2002.	(100,699)			
Local Network Service Revenue	50603900	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039	121,246			
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE THE SPRINT PIU ADJUSTMENTS THAT WERE WORKED FOR THE PIUSETTLEMENT. THESE ADJUSTMENTS ARE THE PORTION OF THE SETTLEMENT FOROCT - DEC 2002		(376,055)		
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256				
Network Access Service Revenues	50842162	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842162	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256				
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52409100	130	ICACCTG	TO ACCRUE FOR BAN NUMBER BIBB0108 FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003.				
Miscellaneous	52409100	130	ICACCTG	TO REVERSE THE ACCRUAL FOR FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003. BAN # BIBB0108				
Miscellaneous	52508000	180	CORPBOOK	ENTRY TO UNDO THE RESTATEMENT ENTRY FOR YEAR 2002 FOR CONSTRUCTION OVERHEAD CHARGES. THIS SHOULD NEVER HAVE BEEN COMPLETED AND THE FIX FOR THIS WAS NEVER PULLED INTO RESTATEMENT. PLEASE REFER QUESTIONS TO SUZY FRANCIS AT (402) 422-8039.			(609,389)	
Miscellaneous	52701100	129	REVCENT	ISSUED TO BOOK ENTRIES FOR NETTING OF QWEST LONG DISTANCE BILLING ANDCOLLECTIONS INVOICE AMOUNT DUE WITH PAR PAYMENT, PER CUSTOMER CONTRACT. **DEC-2002***	(2,768)			
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK ADDITIONAL AMOUNTS NETTED ON MARCH PAR FOR DEC 2002 AND JAN2003 BILLING AND COLLECTIONS. AMOUNTS APPLIED TO PAR WERE INCORRECT ANDDID NOT COMPLETELY RECOVERED AMOUNTS DUE QWEST.			(15,729)	

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	JAN	FEB	MAR	APR
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK CORRECTIONS FOR BILLING AND COLLECTIONS AMOUNTS NETTED ONMICROSOFT PARS IN NOV, DEC 2002 AND JAN 2003. NOV AMT NEVER BOOKED.DEC/JAN BOOKED INCORRECT AMOUNT.			(13,097)	
Miscellaneous	52702100	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039	10,590			
Miscellaneous	52702100	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52702200	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039	8,166			
Miscellaneous	52702200	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Uncollectibles	5302	390	BARTONL	REVERSING ACCRUAL DONE IN DECEMBER 2002 EVENT 23430. BILLS NOW WRITTEN OFF INBART	(217,625)			

Items BOOKED IN 2004 RELATING TO 2003

Description	MAINSUB	ACTY	CPIM	Journal Entry Description	JAN	FEB	MAR	APR
Network Access Service Revenues	50842110	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	15,000			
Network Access Service Revenues	50842131	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(89,500)			
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(62,640)			
Network Access Service Revenues	50842131	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	684,216			
Network Access Service Revenues	50842131	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	31,000			
Network Access Service Revenues	50842167	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	4,000			
Network Access Service Revenues	50842210	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	21,000			
Network Access Service Revenues	50842231	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(89,500)			
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(62,640)			
Network Access Service Revenues	50842231	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	327,347			
Network Access Service Revenues	50842231	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	33,000			
Network Access Service Revenues	50842267	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	5,000			
Miscellaneous	52402000	1	BARTONL	TO MAKE A CORRECTTION TO EGID 4354. AS BAN BJAZ0042 WAS FULLY AMORTIZED INDECEMBER 2003. QUESTIONS, PLEASE CONTACT APRIL SULLIVAN (206) 345-5262	228,621			
Miscellaneous	52501000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 1025,FOR BILLING RENDERED FOR ICBP SERVICES PROVIDED TO QSC. PLEASE CONTACTIMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.			3,286	
Miscellaneous	52508000	180	CORPBOOK	CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS.USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	(9,316)			

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	JAN	FEB	MAR	APR
Miscellaneous	52508000	180	CORPBOOK	TO REVERSE EVENT #28673 FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO -CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	9,316			
Miscellaneous	52508000	423	CORPJRNL	TO REBOOK FOR CORRECT BAC CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	(9,316)			
Miscellaneous	52631000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 26707,FOR BILLING RENDERED FOR FLEET SERVICES SINCE BILLING IS ONE MONTH IN ARREARS.PLEASE CONTACT IMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.			9,902	
Miscellaneous	52632000	423	REVWEST	THIS IS TO CORRECT ENTRY 200302/24215 FOR THE JANUARY 03 OH BLG AMORT REVERSALTHE DOLLARS WERE BOOKED IN THE WRONG SIGN. THIS IS TO REVERSE OUT ORIGINALENTRY AND REBOOK WITH CORRECT DOLLARS.	70,992			
Miscellaneous	52649120	218	REVWEST	ENTRY TO CLEAR THE DEFAULTS WITH THE BAC OF 0218 FROM THE 4360.9135 ACCOUNTS IN ARIZONA AND NEW MEXICO. (FOR DECEMBER 2003 AND JANUARY THRU MARCH 2004, IN ARIZONA AND JANUARY THRU MARCH 2004 IN NEW MEXICO.)			14,019	
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS TO THE CORRECT SIGNS. THESE ARE THEOFFSETS THAT IT HIT. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039	(810,957)			
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS. THESE ARE THE OFFSETS THAT IT HIT.QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039.	810,957			
Uncollectibles	53018100	215	REVWEST	ACCOUNTING ENTRY TO CORRECT THE AZ REALIZED UNCOLLECTIBLES FOR JUNE-DEC 2003AND JAN. 2004. ACCOUNTING ENTRY TO CORRECT OR REALIZED UNCOLLECTIBLES FORJAN. 2004. THE INCORRECT FACTOR WAS LOADED ON THE ALLOCATION TABLE. (DEREG	(46,528)			

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	MAY	JUN	JUL	AUG
Items BOOKED IN 2003 RELATING TO 2002								
Local Network Service Revenue	50012100	130	REVWEST	ENTRY TO BOOK SERVICE GRATUITY FOR LTHE TELEPHONE ASSISTANT PLAN FOR THE MONTHOF DECEMBER,2002.				
Local Network Service Revenue	50603900	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039				
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE THE SPRINT PIU ADJUSTMENTS THAT WERE WORKED FOR THE PIUSETTLEMENT. THESE ADJUSTMENTS ARE THE PORTION OF THE SETTLEMENT FOROCT - DEC 2002				
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256	1,275,688			
Network Access Service Revenues	50842162	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(77,000)			
Network Access Service Revenues	50842162	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	37,000			
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(28,000)			
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(2,000)			
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	1,000			
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	15,000			
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256	1,913,533			
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(57,000)			
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(1,000)			
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	1,000			
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	19,000			
Miscellaneous	52409100	130	ICACCTG	TO ACCRUE FOR BAN NUMBER BIBB0108 FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003.		(1,016,564)		
Miscellaneous	52409100	130	ICACCTG	TO REVERSE THE ACCRUAL FOR FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003. BAN # BIBB0108			1,016,564	
Miscellaneous	52508000	180	CORPBOOK	ENTRY TO UNDO THE RESTATEMENT ENTRY FOR YEAR 2002 FOR CONSTRUCTION OVERHEAD CHARGES. THIS SHOULD NEVER HAVE BEEN COMPLETED AND THE FIX FOR THIS WAS NEVER PULLED INTO RESTATEMENT. PLEASE REFER QUESTIONS TO SUZY FRANCIS AT (402) 422-8039.				
Miscellaneous	52701100	129	REVCENT	ISSUED TO BOOK ENTRIES FOR NETTING OF QWEST LONG DISTANCE BILLING ANDCOLLECTIONS INVOICE AMOUNT DUE WITH PAR PAYMENT, PER CUSTOMER CONTRACT. **DEC-2002***				
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK ADDITIONAL AMOUNTS NETTED ON MARCH PAR FOR DEC 2002 AND JAN2003 BILLING AND COLLECTIONS. AMOUNTS APPLIED TO PAR WERE INCORRECT ANDDID NOT COMPLETELY RECOVERED AMOUNTS DUE QWEST.				

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	MAY	JUN	JUL	AUG
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK CORRECTIONS FOR BILLING AND COLLECTIONS AMOUNTS NETTED ONMICROSOFT PARS IN NOV, DEC 2002 AND JAN 2003. NOV AMT NEVER BOOKED.DEC/JAN BOOKED INCORRECT AMOUNT.				
Miscellaneous	52702100	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039				
Miscellaneous	52702100	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.		112,000		
Miscellaneous	52702200	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039				
Miscellaneous	52702200	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.		16,000		
Uncollectibles	5302	390	BARTONL	REVERSING ACCRUAL DONE IN DECEMBER 2002 EVENT 23430. BILLS NOW WRITTEN OFF INBART				

Items BOOKED IN 2004 RELATING TO 2003

Description	MAINSUB	ACTY	CPIM	Journal Entry Description	MAY	JUN	JUL	AUG
Network Access Service Revenues	50842110	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842131	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842131	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842131	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842167	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842210	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842231	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842231	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842231	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842267	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52402000	1	BARTONL	TO MAKE A CORRECTTION TO EGID 4354, AS BAN BJAZ0042 WAS FULLY AMORTIZED INDECEMBER 2003. QUESTIONS, PLEASE CONTACT APRIL SULLIVAN (206) 345-5262				
Miscellaneous	52501000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 1025,FOR BILLING RENDERED FOR ICBP SERVICES PROVIDED TO QSC. PLEASE CONTACTIMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.				
Miscellaneous	52508000	180	CORPBOOK	CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS.USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	MAY	JUN	JUL	AUG
Miscellaneous	52508000	180	CORPBOOK	TO REVERSE EVENT #28673 FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO -CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52508000	423	CORPJRNL	TO REBOOK FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52631000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 26707,FOR BILLING RENDERED FOR FLEET SERVICES SINCE BILLING IS ONE MONTH IN ARREARS.PLEASE CONTACT IMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.				
Miscellaneous	52632000	423	REVWEST	THIS IS TO CORRECT ENTRY 200302/24215 FOR THE JANUARY 03 OH BLG AMORT REVERSALTHE DOLLARS WERE BOOKED IN THE WRONG SIGN. THIS IS TO REVERSE OUT ORIGINALENTRY AND REBOOK WITH CORRECT DOLLARS.				
Miscellaneous	52649120	218	REVWEST	ENTRY TO CLEAR THE DEFAULTS WITH THE BAC OF 0218 FROM THE 4360.9135 ACCOUNTS IN ARIZONA AND NEW MEXICO. (FOR DECEMBER 2003 AND JANUARY THRU MARCH 2004, IN ARIZONA AND JANUARY THRU MARCH 2004 IN NEW MEXICO.)				
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS TO THE CORRECT SIGNS. THESE ARE THEOFFSETS THAT IT HIT. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039				
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS. THESE ARE THE OFFSETS THAT IT HIT.QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039.				
Uncollectibles	53018100	215	REVWEST	ACCOUNTING ENTRY TO CORRECT THE AZ REALIZED UNCOLLECTIBLES FOR JUNE-DEC 2003AND JAN. 2004. ACCOUNTING ENTRY TO CORRECT OR REALIZED UNCOLLECTIBLES FORJAN. 2004. THE INCORRECT FACTOR WAS LOADED ON THE ALLOCATION TABLE. (DEREG				

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	SEP	OCT	NOV	DEC
Items BOOKED IN 2003 RELATING TO 2002								
Local Network Service Revenue	50012100	130	REVWEST	ENTRY TO BOOK SERVICE GRATUITY FOR LTHE TELEPHONE ASSISTANT PLAN FOR THE MONTHOF DECEMBER,2002.				
Local Network Service Revenue	50603900	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039				
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE THE SPRINT PIU ADJUSTMENTS THAT WERE WORKED FOR THE PIUSETTLEMENT. THESE ADJUSTMENTS ARE THE PORTION OF THE SETTLEMENT FOROCT - DEC 2002				
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256				
Network Access Service Revenues	50842162	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842162	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256				
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52409100	130	ICACCTG	TO ACCRUE FOR BAN NUMBER BIBB0108 FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003.				
Miscellaneous	52409100	130	ICACCTG	TO REVERSE THE ACCRUAL FOR FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003. BAN # BIBB0108				
Miscellaneous	52508000	180	CORPBOOK	ENTRY TO UNDO THE RESTATEMENT ENTRY FOR YEAR 2002 FOR CONSTRUCTION OVERHEAD CHARGES. THIS SHOULD NEVER HAVE BEEN COMPLETED AND THE FIX FOR THIS WAS NEVER PULLED INTO RESTATEMENT. PLEASE REFER QUESTIONS TO SUZY FRANCIS AT (402) 422-8039.				
Miscellaneous	52701100	129	REVCENT	ISSUED TO BOOK ENTRIES FOR NETTING OF QWEST LONG DISTANCE BILLING ANDCOLLECTIONS INVOICE AMOUNT DUE WITH PAR PAYMENT, PER CUSTOMER CONTRACT. **DEC-2002***				
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK ADDITIONAL AMOUNTS NETTED ON MARCH PAR FOR DEC 2002 AND JAN2003 BILLING AND COLLECTIONS. AMOUNTS APPLIED TO PAR WERE INCORRECT ANDDID NOT COMPLETELY RECOVERED AMOUNTS DUE QWEST.				

Qwest Arizona
Out of Period Adjustment
Revenue Items
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Description	MAINSUB	ACTY	CPIM	DESC1	SEP	OCT	NOV	DEC
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK CORRECTIONS FOR BILLING AND COLLECTIONS AMOUNTS NETTED ONMICROSOFT PARS IN NOV, DEC 2002 AND JAN 2003. NOV AMT NEVER BOOKED.DEC/JAN BOOKED INCORRECT AMOUNT.				
Miscellaneous	52702100	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039				
Miscellaneous	52702100	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52702200	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039				
Miscellaneous	52702200	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.				
Uncollectibles	5302	390	BARTONL	REVERSING ACCRUAL DONE IN DECEMBER 2002 EVENT 23430. BILLS NOW WRITTEN OFF INBART				

Items BOOKED IN 2004 RELATING TO 2003

Description	MAINSUB	ACTY	CPIM	Journal Entry Description	SEP	OCT	NOV	DEC
Network Access Service Revenues	50842110	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842131	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842131	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842131	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842167	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842210	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842231	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842231	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.				
Network Access Service Revenues	50842231	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Network Access Service Revenues	50842267	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52402000	1	BARTONL	TO MAKE A CORRECTTION TO EGID 4354, AS BAN BJAZ0042 WAS FULLY AMORTIZED INDECEMBER 2003. QUESTIONS, PLEASE CONTACT APRIL SULLIVAN (206) 345-5262				
Miscellaneous	52501000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 1025,FOR BILLING RENDERED FOR ICBP SERVICES PROVIDED TO QSC. PLEASE CONTACTMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.				
Miscellaneous	52508000	180	CORPBOOK	CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS.USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	SEP	OCT	NOV	DEC
Miscellaneous	52508000	180	CORPBOOK	TO REVERSE EVENT #28673 FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO -CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52508000	423	CORPJRNL	TO REBOOK FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.				
Miscellaneous	52631000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 26707,FOR BILLING RENDERED FOR FLEET SERVICES SINCE BILLING IS ONE MONTH IN ARREARS.PLEASE CONTACT IMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.				
Miscellaneous	52632000	423	REVWEST	THIS IS TO CORRECT ENTRY 200302/24215 FOR THE JANUARY 03 OH BLG AMORT REVERSALTHE DOLLARS WERE BOOKED IN THE WRONG SIGN. THIS IS TO REVERSE OUT ORIGINALENTRY AND REBOOK WITH CORRECT DOLLARS.				
Miscellaneous	52649120	218	REVWEST	ENTRY TO CLEAR THE DEFAULTS WITH THE BAC OF 0218 FROM THE 4360.9135 ACCOUNTS IN ARIZONA AND NEW MEXICO. (FOR DECEMBER 2003 AND JANUARY THRU MARCH 2004, IN ARIZONA AND JANUARY THRU MARCH 2004 IN NEW MEXICO.)				
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS TO THE CORRECT SIGNS. THESE ARE THEOFFSETS THAT IT HIT. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039				
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS. THESE ARE THE OFFSETS THAT IT HIT.QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039.				
Uncollectibles	53018100	215	REVWEST	ACCOUNTING ENTRY TO CORRECT THE AZ REALIZED UNCOLLECTIBLES FOR JUNE-DEC 2003AND JAN. 2004. ACCOUNTING ENTRY TO CORRECT OR REALIZED UNCOLLECTIBLES FORJAN. 2004. THE INCORRECT FACTOR WAS LOADED ON THE ALLOCATION TABLE. (DEREG				

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	ANNUAL
Items BOOKED IN 2003 RELATING TO 2002					
Local Network Service Revenue	50012100	130	REVWEST	ENTRY TO BOOK SERVICE GRATUITY FOR LTHE TELEPHONE ASSISTANT PLAN FOR THE MONTHOF DECEMBER,2002.	(100,699)
Local Network Service Revenue	50603900	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039	121,246
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE THE SPRINT PIU ADJUSTMENTS THAT WERE WORKED FOR THE PIUSETTLEMENT. THESE ADJUSTMENTS ARE THE PORTION OF THE SETTLEMENT FOROCT - DEC 2002	(376,055)
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256	1,275,688
Network Access Service Revenues	50842162	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(77,000)
Network Access Service Revenues	50842162	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	37,000
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(28,000)
Network Access Service Revenues	50842166	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(2,000)
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	1,000
Network Access Service Revenues	50842166	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	15,000
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REDISTRIBUTE 2002 SPRINT PIU ACCRUAL TO PROPER STATES AND REVENUEACCOUNTS.QUESTIONS CAN BE REFERRED TO CINDY ELGES (303)965-5256	1,913,533
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK NEW MULTIPLE MEETPOINT BILL ACCRUAL, STUDY PERIOD NOVEMBER 2002 - APRIL 2003. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(57,000)
Network Access Service Revenues	50842266	391	IABSWST	ENTRY TO BOOK ACCRUAL OF SINGLE BILL ACCRUAL STUDY PERIOD NOVEMBER, 2002 - APRIL, 2003. REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	(1,000)
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF SINGLE BILL ACCRUAL ORIGINALLY BOOKED IN NOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	1,000
Network Access Service Revenues	50842266	392	IABSWST	ENTRY TO BOOK REVERSAL OF MULTIPLE MEETPOINT BILL ACCRUAL ORIGINALLY BOOKED INNOVEMBER 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	19,000
Miscellaneous	52409100	130	ICACCTG	TO ACCRUE FOR BAN NUMBER BIBB0108 FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003.	(1,016,564)
Miscellaneous	52409100	130	ICACCTG	TO REVERSE THE ACCRUAL FOR FOR PHYSICAL REMOTE COLLOCATION FOR2002 AND 2003 TO BE BILLED JULY 2003. BAN # BIBB0108	1,016,564
Miscellaneous	52508000	180	CORPBOOK	ENTRY TO UNDO THE RESTATEMENT ENTRY FOR YEAR 2002 FOR CONSTRUCTION OVERHEAD CHARGES. THIS SHOULD NEVER HAVE BEEN COMPLETED AND THE FIX FOR THIS WAS NEVER PULLED INTO RESTATEMENT. PLEASE REFER QUESTIONS TO SUZY FRANCIS AT (402) 422-8039.	(609,389)
Miscellaneous	52701100	129	REVCENT	ISSUED TO BOOK ENTRIES FOR NETTING OF QWEST LONG DISTANCE BILLING ANDCOLLECTIONS INVOICE AMOUNT DUE WITH PAR PAYMENT, PER CUSTOMER CONTRACT. **DEC-2002***	(2,768)
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK ADDITIONAL AMOUNTS NETTED ON MARCH PAR FOR DEC 2002 AND JAN2003 BILLING AND COLLECTIONS. AMOUNTS APPLIED TO PAR WERE INCORRECT ANDDID NOT COMPLETELY RECOVERED AMOUNTS DUE QWEST.	(15,729)

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	ANNUAL
Miscellaneous	52702100	129	REVCENT	ISSUED TO BOOK CORRECTIONS FOR BILLING AND COLLECTIONS AMOUNTS NETTED ONMICROSOFT PARS IN NOV, DEC 2002 AND JAN 2003. NOV AMT NEVER BOOKED.DEC/JAN BOOKED INCORRECT AMOUNT.	(13,097)
Miscellaneous	52702100	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039	10,590
Miscellaneous	52702100	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	112,000
Miscellaneous	52702200	189	IABSWST	ENTRY TO REVERSE DECEMBER 2002 ACCRUAL FOR DELAYED BILLING FOR LEXCISCONVERSION. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS (402)422-8039	8,166
Miscellaneous	52702200	234	CORPJRNL	REVERSAL OF B&C 4 BILL PERIOD STANDING ACCRUAL ORIGINALLY BOOKED IN JULY 2002. PLEASE REFER QUESTIONS TO SHELLEY ROGERS AT (206)345-1907.	16,000
Uncollectibles	5302	390	BARTONL	REVERSING ACCRUAL DONE IN DECEMBER 2002 EVENT 23430. BILLS NOW WRITTEN OFF INBART	(217,625)

Items BOOKED IN 2004 RELATING TO 2003

Description	MAINSUB	ACTY	CPIM	Journal Entry Description	ANNUAL
Network Access Service Revenues	50842110	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	15,000
Network Access Service Revenues	50842131	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(89,500)
Network Access Service Revenues	50842131	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(62,640)
Network Access Service Revenues	50842131	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	684,216
Network Access Service Revenues	50842131	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	31,000
Network Access Service Revenues	50842167	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	4,000
Network Access Service Revenues	50842210	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	21,000
Network Access Service Revenues	50842231	130	IABSWST	TO REVERSE OLD STANDING ACCRUAL BOOKED IN 11/03 - EVENT ID: 2003120000074855. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(89,500)
Network Access Service Revenues	50842231	130	IABSWST	ENTRY TO REVERSE NOVEMBER ADJUSTMENTS FOR SPRINT PIU THAT DID NOT BOOKED IN DECEMBER 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	(62,640)
Network Access Service Revenues	50842231	391	IABSWST	ENTRY TO BOOK ACCRUAL FOR AT&T ROAMING DISPUTES FOR THE YEAR 2003. QUESTIONS CAN BE REFERRED TO CINDY ELGES AT (303)965-5256.	327,347
Network Access Service Revenues	50842231	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	33,000
Network Access Service Revenues	50842267	392	IABSWST	PIPELINE REVERSAL OF ACCRUAL FOR DECEMBER 2003 FOR THE STATES OF AZ-IP-OR-WA. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	5,000
Miscellaneous	52402000	1	BARTONL	TO MAKE A CORRECTTION TO EGID 4354, AS BAN BJAZ0042 WAS FULLY AMORTIZED INDECEMBER 2003. QUESTIONS, PLEASE CONTACT APRIL SULLIVAN (206) 345-5262	228,621
Miscellaneous	52501000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 1025,FOR BILLING RENDERED FOR iCBP SERVICES PROVIDED TO QSC. PLEASE CONTACTIMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.	3,286
Miscellaneous	52508000	180	CORPBOOK	CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS.USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	(9,316)

Qwest Arizona
Out of Period Adjustment
Revenue Items
$000's

Description	MAINSUB	ACTY	CPIM	DESC1	ANNUAL
Miscellaneous	52508000	180	CORPBOOK	TO REVERSE EVENT #28673 FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO -CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	9,316
Miscellaneous	52508000	423	CORPJRNL	TO REBOOK FOR CORRECT BAC. CORRECTION TO 1/03 RESTATEMENT REDO - CONSTRUCTION MR BOOKING FOR CLOSED JOBS - USED JANUARY 2004 NUMBERS RATHER THAN JANUARY 2003. QUESTIONS CAN BE REFERRED TO SHELLEY ROGERS AT (206)345-1907.	(9,316)
Miscellaneous	52631000	130	ICACCTG	FOR USWC BOOKS. TO REVERSE STANDING ACCRUAL BOOKED IN DEC 2003, EGID# 26707,FOR BILLING RENDERED FOR FLEET SERVICES SINCE BILLING IS ONE MONTH IN ARREARS.PLEASE CONTACT IMILDA SUTANTO @ 303-965-8473 FOR QUESTIONS.	9,902
Miscellaneous	52632000	423	REVWEST	THIS IS TO CORRECT ENTRY 200302/24215 FOR THE JANUARY 03 OH BLG AMORT REVERSALTHE DOLLARS WERE BOOKED IN THE WRONG SIGN. THIS IS TO REVERSE OUT ORIGINALENTRY AND REBOOK WITH CORRECT DOLLARS.	70,992
Miscellaneous	52649120	218	REVWEST	ENTRY TO CLEAR THE DEFAULTS WITH THE BAC OF 0218 FROM THE 4360.9135 ACCOUNTS IN ARIZONA AND NEW MEXICO. (FOR DECEMBER 2003 AND JANUARY THRU MARCH 2004, IN ARIZONA AND JANUARY THRU MARCH 2004 IN NEW MEXICO.)	14,019
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS TO THE CORRECT SIGNS. THESE ARE THEOFFSETS THAT IT HIT. QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039	(810,957)
Uncollectibles	53014100	130	IABSWST	ENTRY TO REVERSE THE ACCRUAL THAT WAS PUT ON THE BOOKS IN DECEMBER 2003 FOR TAFOR THE IRU PURCHASED AND PAID VIA OFFSETS. THESE ARE THE OFFSETS THAT IT HIT.QUESTIONS CAN BE REFERRED TO SUZY FRANCIS AT (402)422-8039.	810,957
Uncollectibles	53018100	215	REVWEST	ACCOUNTING ENTRY TO CORRECT THE AZ REALIZED UNCOLLECTIBLES FOR JUNE-DEC 2003AND JAN. 2004. ACCOUNTING ENTRY TO CORRECT OR REALIZED UNCOLLECTIBLES FORJAN. 2004. THE INCORRECT FACTOR WAS LOADED ON THE ALLOCATION TABLE. (DEREG	(46,528)

Qwest Arizona
Out of Period Adjustment
Expense Items
$000's

Summary	Total State	Intrastate Factor	Intrastate
Add: Items Booked in 2004 Relating to 2003			
Maintenance Expense	(917)	74.48%	(683)
Network Operations Expense	210	74.07%	156
Engineering Expense	1	72.53%	1
Depreciation Expense	(109)	76.82%	(83)
Customer Operations Expense	1	80.51%	1
Corporate Operations Expense	(121)	79.15%	(96)
Other Operating Income & Expense	(68)	303.37%	(208)
Nonoperating Income & Expense	1,087	72.96%	793
Remove: Items Booked in 2003 Relating to 2002			
Maintenance Expense	(14,782)	74.48%	(11,010)
Network Operations Expense	50	74.07%	37
Engineering Expense	0	72.53%	0
Depreciation Expense	0	76.82%	0
Customer Operations Expense	0	80.51%	0
Corporate Operations Expense	52	79.15%	41
Other Operating Income & Expense	0	303.37%	0
Nonoperating Income & Expense	0	72.96%	0

Net Out of Period Adjustment	Total State	Intrastate Factor	Intrastate
Maintenance Expense	(15,699)	74.48%	(11,693)
Network Operations Expense	260	74.07%	193
Engineering Expense	1	72.53%	1
Depreciation Expense	(109)	76.82%	(83)
Customer Operations Expense	1	80.51%	1
Corporate Operations Expense	(69)	79.15%	(54)
Other Operating Income & Expense	(68)	303.37%	(208)
Nonoperating Income & Expense	1,087	72.96%	793

Qwest Arizona
Out of Period Adjustment
Rate Base Items
$000's

Summary	ANNUAL	Intrastate Factor	Intrastate
Add: Items Booked in 2004 Relating to 2003			
Materials & Supplies	(15,079)	73.87%	(11,138)
Tel Plant in Service	2,333	72.21%	1,685
Accumulated Depreciation	(2,332)	74.50%	(1,737)
Remove: Items Booked in 2003 Relating to 2002			
Materials & Supplies	0	73.87%	0
Tel Plant in Service	956	72.21%	691
Accumulated Depreciation	(10)	74.50%	(8)
Net Out of Period Adjustment			
Materials & Supplies	(15,079)	73.87%	(11,138)
Tel Plant in Service	3,290	72.21%	2,376
Accumulated Depreciation	(2,342)	74.50%	(1,745)

MAH:\
5/13/2004
X:\04_Rate_Case\Rev_Requirement\Adjustments\Out_of_Period\Out_of_Period_2003

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-02

Arizona Corporation Commission
Docket No.
Title: In-Test-Year Rate Changes
Time: 1:38 PM
Date: 5/13/2004
Adj. # PFN-02

Qwest Corporation

Arizona Intrastate Operations
Normalizing Adjustment

In Year Rate Reductions

Test Year Ending December 31, 2003

$(000)

Operating Revenues	(7,057)
Operating Expenses	0
Total Operating Income Taxes	(2,769)
Net Operating Income	(4,288)
Rate Base	0
Revenue Requirement	7,237

This adjustment adds 3 months of the rate reductions
that were effective 4/1/03.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 1:38 PM
PFN-02

		In-Test-Year Rate Changes
Revenues		
1	Local Service Revenues	(7,057)
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	(7,057)
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	(7,057)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(2,309)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(460)
26	**Net Operating Income (L23-L24-L25)**	(4,288)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(4,288)
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(4,288)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base**	0
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

Qwest Communications
Arizona
In-Year Rate Changes
Rate Changes Effective April 1, 2003

Line	SUMMARY	(A)	(B)
	USOC Account	RATE_CHANGE	MONTHLY
1	5001.12	($9,532,172)	($794,348)
2	5001.22	($12,570,200)	($1,047,517)
3	5060.111	($1,136,364)	($94,697)
4	5060.121	($4,987,888)	($415,657)
5	TOTAL	($28,226,624)	($2,352,219)
6	1ST Quarter Impact		($7,056,656)

Recur/NonRe	SERVICE NAME	USOC Account	TIM CODE	RES/BUS	USOC	RATE_CHANGE
NonRecur	RESALE/SHARING OF COMPANY SERVICES	5001.12	E5.10	BUS	TDD	($480.00)
NonRecur	RESALE/SHARING OF COMPANY SERVICES	5001.12	E5.10	BUS	TDV	($403.20)
NonRecur	RESALE/SHARING OF COMPANY SERVICES	5001.12	E5.10	BUS	TDV /U1	($230.40)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	1FB	($2,295,140.40)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	1FB /HFB	($75,247.20)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	1FB /HFB/	($16.80)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	1FB /U1	($43,965.60)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	1FB /U2	($63,277.20)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	AFK	($3,134,913.60)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	AFK /U1	($50,618.40)
NonRecur	FLAT RATE SERVICE	5001.12	E5.2.4	BUS	AFK /U2	($61,504.80)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	1FB	($71,014.80)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	1FB /HFB	($151.80)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	1FB /U1	($772.80)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	1FB /U2	($690.00)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	AFK	($171,216.60)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	AFK /U1	($2,042.40)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.12	E5.2.4RSR	BUS	AFK /U2	($2,208.00)
NonRecur	SECRETARIAL ANSWERING SERVICE	5001.12	E5.2.5.A	BUS	SB1 /U2	($33.60)
NonRecur	QWEST UTILITY LINE	5001.12	E5.2.5.E	BUS	AWL	($66,868.20)
NonRecur	FLAT RATE TRUNKS	5001.12	E5.3.3	BUS	TDD	($134,707.20)
NonRecur	FLAT RATE TRUNKS	5001.12	E5.3.3	BUS	TDD /U1	($537.60)
NonRecur	FLAT RATE TRUNKS	5001.12	E5.3.3	BUS	TDD /U2	($1,286.40)
NonRecur	FLAT RATE TRUNKS	5001.12	E5.3.3	BUS	THHCX	($1,785.60)
NonRecur	FLAT RATE TRUNKS	5001.12	E5.3.3	BUS	THHCX/U2	($38.40)
NonRecur	FLAT RATE TRUNKS (REVENUE RESELLER)	5001.12	E5.3.3RSR	BUS	TDD	($235.80)
NonRecur	FLAT RATE TRUNKS (REVENUE RESELLER)	5001.12	E5.3.3RSR	BUS	TDD /U2	($503.04)
NonRecur	HUNTING SERVICE	5001.12	E5.4.11	BUS	HTG	($1,478,860.80)
NonRecur	HUNTING SERVICE (REVENUE RESELLER)	5001.12	E5.4.11RSR	BUS	HTG	($86,035.56)
NonRecur	CUSTOM CALLING SERVICES	5001.12	E5.4.3	BUS	EVK	($13,075.20)
NonRecur	CUSTOM CALLING SERVICES	5001.12	E5.4.3	BUS	EVO	($422,496.00)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.12	E5.4.3RSR	BUS	EVK	($343.20)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.12	E5.4.3RSR	BUS	EVO	($25,765.08)
NonRecur	MARKET EXPANSION LINE (MEL) SERVICE	5001.12	E5.4.4	BUS	RCA	($146,011.20)

Qwest Communications
Arizona
In-Year Rate Changes
Rate Changes Effective April 1, 2003

Line	SUMMARY USOC Account	(A) RATE_CHANGE	(B) MONTHLY
1	5001.12	($9,532,172)	($794,348)
2	5001.22	($12,570,200)	($1,047,517)
3	5060.111	($1,136,364)	($94,697)
4	5060.121	($4,987,888)	($415,657)
5	TOTAL	($28,226,624)	($2,352,219)
6	1ST Quarter Impact		($7,056,656)

Recur/NonRe	SERVICE NAME	USOC Account	TIM CODE	RES/BUS	USOC	RATE_CHANGE
NonRecur	MARKET EXPANSION LINE (MEL) SERVICE	5001.12	E5.4.4	BUS	RCF	($607,893.60)
NonRecur	MARKET EXPANSION LINE (MEL) SERVICE (REVENUE RESELLE)	5001.12	E5.4.4RSR	BUS	RCA	($449.28)
NonRecur	MARKET EXPANSION LINE (MEL) SERVICE (REVENUE RESELLE)	5001.12	E5.4.4RSR	BUS	RCF	($2,283.84)
NonRecur	U S WEST CUSTOM NUMBER SERVICE	5001.12	E5.7.7	BUS	RNCEP	($111,564.00)
NonRecur	U S WEST CUSTOM NUMBER SERVICE	5001.12	E5.7.7	BUS	RNCSP	($111,720.00)
NonRecur	U S WEST CUSTOM NUMBER SERVICE (REVENUE RESELLER)	5001.12	E5.7.7RSR	BUS	RNCEP	($1,210.32)
NonRecur	U S WEST CUSTOM NUMBER SERVICE (REVENUE RESELLER)	5001.12	E5.7.7RSR	BUS	RNCSP	($984.00)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDD	($273,823.20)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001 12	E5.9.1	BUS	NLUDD/U1	($13,356.00)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDD/U2	($9,895.20)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDE	($24,420.48)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDE/U1	($19.32)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDE/U2	($19.32)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDG	($20,604.36)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDG/U1	($1,197.00)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.12	E5.9.1	BUS	NLUDG/U2	($255.36)
NonRecur	FLAT RATE SERVICE	5001.22	E5.2.4	RES	1FR /PGO	($560,608.80)
NonRecur	FLAT RATE SERVICE	5001.22	E5.2.4	RES	AFH	($3,397,346.88)
NonRecur	FLAT RATE SERVICE	5001.22	E5.2.4	RES	AFH /HFR	($51,299.76)
NonRecur	FLAT RATE SERVICE	5001.22	E5.2.4	RES	AFH /PGO	($2,552,627.40)
NonRecur	FLAT RATE SERVICE	5001.22	E5.2.4	RES	AFH /U1	($117,890.04)
NonRecur	FLAT RATE SERVICE	5001.22	E5.2.4	RES	AFH /U2	($129,832.08)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.22	E5.2.4RSR	RES	1FR /PGO	($299.52)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.22	E5.2.4RSR	RES	AFH	($7,534.08)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.22	E5.2.4RSR	RES	AFH /PGO	($184.32)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.22	E5.2.4RSR	RES	AFH /U1	($184.32)
NonRecur	FLAT RATE SERVICE (REVENUE RESELLER)	5001.22	E5.2.4RSR	RES	AFH /U2	($46.08)
NonRecur	US WEST CUSTOM RINGING SERVICE	5001.22	E5.4.10	RES	RGG1	($240,462.00)
NonRecur	US WEST CUSTOM RINGING SERVICE	5001.22	E5.4.10	RES	RGG2	($239.10)
NonRecur	US WEST CUSTOM RINGING SERVICE	5001.22	E5.4.10	RES	RGG3	($60.00)
NonRecur	U S WEST CUSTOM RINGING SERVICE (REVENUE RESELLER)	5001.22	E5.4.10RSR	RES	RGG1	($590.40)
NonRecur	HUNTING SERVICE	5001.22	E5.4.11	RES	HTG	($8,505.60)
NonRecur	HUNTING SERVICE (REVENUE RESELLER)	5001.22	E5.4.11RSR	RES	HTG	($141.48)

Qwest Communications
Arizona
In-Year Rate Changes
Rate Changes Effective April 1, 2003

Line	SUMMARY USOC Account	(A) RATE_CHANGE	(B) MONTHLY
1	5001.12	($9,532,172)	($794,348)
2	5001.22	($12,570,200)	($1,047,517)
3	5060.111	($1,136,364)	($94,697)
4	5060.121	($4,987,888)	($415,657)
5	TOTAL	($28,226,624)	($2,352,219)
6	1ST Quarter Impact		($7,056,656)

Recur/NonRe	SERVICE NAME	USOC Account	TIM CODE	RES/BUS	USOC	RATE_CHANGE
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	E3D	($14,161.50)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	ESC	($32,224.50)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	ESM	($30,714.00)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	ESX	($4,820,016.00)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	EWY29	($11,652.00)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	EWY2O	($360.00)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	EWY2X	($102,429.60)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	N2W	($1,623,672.00)
NonRecur	CUSTOM CALLING SERVICES	5001.22	E5.4.3	RES	NNK	($1,797,419.70)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.22	E5.4.3RSR	RES	E3D	($73.20)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.22	E5.4.3RSR	RES	ESC	($1,119.96)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.22	E5.4.3RSR	RES	ESM	($384.00)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.22	E5.4.3RSR	RES	ESX	($73,957.44)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.22	E5.4.3RSR	RES	N2W	($51,935.52)
NonRecur	CUSTOM CALLING SERVICES (REVENUE RESELLER)	5001.22	E5.4.3RSR	RES	NNK	($18,053.04)
NonRecur	MARKET EXPANSION LINE (MEL) SERVICE	5001.22	E5.4.4	RES	RCA	($228.00)
NonRecur	MARKET EXPANSION LINE (MEL) SERVICE	5001.22	E5.4.4	RES	RCF	($37,711.20)
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.22	E5.9.1	RES	PGOCA	$560,608.80
NonRecur	PACKAGES ACCOCIATED WITH BASIC EXCHANGE SERVICE	5001.22	E5.9.1	RES	PGOCG	$2,552,627.40
NonRecur	PACKAGES ASSOC WITH BASIC EXCH SVR (REVENUE RESELLER)	5001.22	E5.9.1RSR	RES	PGOCA	$279.24
NonRecur	PACKAGES ASSOC WITH BASIC EXCH SVR (REVENUE RESELLER)	5001.22	E5.9.1RSR	RES	PGOCG	$247.68
Recur	RESALE/SHARING OF COMPANY SERVICES	5060.111	E5.10	BUS	LMB	($720.00)
Recur	RESALE/SHARING OF COMPANY SERVICES	5060.111	E5.10	BUS	ALM	($54.00)
Recur	RESALE/SHARING OF COMPANY SERVICES (REVENUE RESELLER)	5060.111	E5.10RSR	BUS	LMB	($14.76)
Recur	FLAT RATE SERVICE	5060.111	E5.2.4	BUS	AFK	($509,364.00)
Recur	FLAT RATE SERVICE	5060.111	E5.2.4	BUS	1FB /HFB	($2,250.00)
Recur	FLAT RATE SERVICE	5060.111	E5.2.4	BUS	1FB /HFB	($262,512.00)
Recur	FLAT RATE SERVICE (REVENUE RESELLER)	5060.111	E5.2.4RSR	BUS	AFK	($40,752.36)
Recur	FLAT RATE SERVICE (REVENUE RESELLER)	5060.111	E5.2.4RSR	BUS	1FB /HFB	($14.76)
Recur	FLAT RATE SERVICE (REVENUE RESELLER)	5060.111	E5.2.4RSR	BUS	1FB	($11,070.00)
Recur	LOCAL SERVICE OPTIONS	5060.111	E5.2.5.E	BUS	1TM	($162.00)
Recur	LOCAL SERVICE OPTIONS	5060.111	E5.2.5.E	BUS	A2Y	($1,530.00)
Recur	LOCAL SERVICE OPTIONS	5060.111	E5.2.5.F	BUS	AWL	($44,991.00)
Recur	HOME BUSINESS LINE (HBL) SERVICE	5060.111	E5.2.8	BUS	BHS	($36.00)

Qwest Communications
Arizona
In-Year Rate Changes
Rate Changes Effective April 1, 2003

Line	SUMMARY USOC Account	(A) RATE_CHANGE	(B) MONTHLY
1	5001.12	($9,532,172)	($794,348)
2	5001.22	($12,570,200)	($1,047,517)
3	5060.111	($1,136,364)	($94,697)
4	5060.121	($4,987,888)	($415,657)
5	TOTAL	($28,226,624)	($2,352,219)
6	1ST Quarter Impact		($7,056,656)

Recur/NonRe	SERVICE NAME	USOC Account	TIM CODE	RES/BUS	USOC	RATE_CHANGE
Recur	U S WEST CUSTOM NUMBER SERVICE	5060.111	E5.7.7	BUS	RNCSS	($1,200.00)
Recur	U S WEST CUSTOM NUMBER SERVICE	5060.111	E5.7.7	BUS	RNCEP	($28,800.00)
Recur	U S WEST CUSTOM NUMBER SERVICE	5060.111	E5.7.7	BUS	CNEPG	($864.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.111	E5.9.1	BUS	NLUDD	($145,440.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.111	E5.9.1	BUS	PGOCL	($63,054.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.111	E5.9.1	BUS	NLUDE	($15,543.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.111	E5.9.1	BUS	NLUDG	($7,992.00)
Recur	DUAL SERVICE	5060.121	E3.1.7	RES	CBU	($3,473.40)
Recur	LOW USE OPTION SERVICE	5060.121	E5.2.2	RES	RMN	($8,568.00)
Recur	LOW USE OPTION SERVICE	5060.121	E5.2.2	RES	AFN	($36.00)
Recur	FLAT RATE SERVICE	5060.121	E5.2.4	RES	1FR	($1,895,751.00)
Recur	FLAT RATE SERVICE	5060.121	E5.2.4	RES	1FR /HFR	($4,293.00)
Recur	FLAT RATE SERVICE	5060.121	E5.2.4	RES	AFH	($257,580.00)
Recur	FLAT RATE SERVICE (REVENUE RESELLER)	5060.121	E5.2.4RSR	RES	AFH	($1,608.84)
Recur	FLAT RATE SERVICE (REVENUE RESELLER)	5060.121	E5.2.4RSR	RES	1FR /HFR	($14.76)
Recur	FLAT RATE SERVICE (REVENUE RESELLER)	5060.121	E5.2.4RSR	RES	1FR	($164,441.16)
Recur	U S WEST CUSTOM NUMBER SERVICE	5060.121	E5.7.7	RES	RNCSS	($7,128.00)
Recur	U S WEST CUSTOM NUMBER SERVICE	5060.121	E5.7.7	RES	RNCEP	($20,460.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.121	E5.9.1	RES	PGOCG	($711,288.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.121	E5.9.1	RES	PGOVP	($39,456.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.121	E5.9.1	RES	PGOVC	($240,759.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.121	E5.9.1	RES	PGOCC	($1,504,728.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.121	E5.9.1	RES	PGOCA	($95,688.00)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE	5060.121	E5.9.1	RES	PCV6X	($32,555.70)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE (REVENUE RESELLER)	5060.121	E5.9.1RSR	RES	PGOCA	($14.76)
Recur	PACKAGES ASSOCIATED WITH BASIC EXCHANGE SERVICE (REVENUE RESELLER)	5060.121	E5.9.1RSR	RES	PGOCC	($44.28)
						($28,226,624.34)

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-03

Arizona Corporation Commission
Docket No.
Title: Operating Income Annualization

Time: 1:40 PM
Date: 5/13/2004
Adj. # PFN-03

Qwest Corporation

Arizona Intrastate Operations
Normalization Adjustment

Operating Income Annualization

Test Year Ending December 31, 2003

$(000)

Operating Revenues	(54,080)
Operating Expenses	(2,405)
Total Operating Income Taxes	(20,274)
Net Operating Income	(31,400)
Rate Base	0
Revenue Requirement	52,992

This adjustment annualizes expected increases and decreases in various revenue and expense accounts based on regression analysis of the ending period values.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 1:40 PM
PFN-03

			Operating Income Annualization
Revenues			
	1	Local Service Revenues	(47,162)
	2	Network Access Service Revenues	(334)
	3	Long Distance Network Service Rev.	(2,577)
	4	Miscellaneous	(4,007)
	5	Total Oper. Rev. (L1 thru L4)	(54,080)
Expenses			
	6	Maintenance	
	7	Engineering Expense	
	8	Network Operations	
	9	Network Administration	
	10	Access Expense	
	11	Other	
	12	Total Cost of Services & Products(L6 thru L11)	0
	13	Customer Operations	
	14	Corporate Operations	(2,405)
	15	Property & Other Taxes	
	16	Uncollectibles	
	17	Tot Selling, General & Admin.(L13 thru L16)	(2,405)
	18	Other Operating Income & Expense	
	19	Depreciation Expense	
	20	Universal Service Fund	
	21	Link Up America	
	22	Total Operating Expense(L12+L17 thru L21)	(2,405)
	23	Income From Operations (L5-L22)	(51,674)
Taxes			
	24	Federal Income Tax (L23-L30) x Eff FIT Rate	(16,908)
	25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(3,366)
	26	**Net Operating Income (L23-L24-L25)**	(31,400)
Other			
	27	Nonoperating Income & Expense	
	28	Nonoperating Income Tax	
	29	Net Operating Earnings (L26-L27-L28)	(31,400)
	30	Interest Expense	
	31	Juris Diff & Nonreg Net Income	
	32	Extraordinary Items	
	33	**Net Income (L29-L30-L31-L32)**	(31,400)
Rate Base			
	34	Telephone Plant In Service	
	35	Short-Term Plant Under Contruction	
	36	Materials and Supplies	
	37	Allowance for Cash Working Capital	
	38	Accumulated Depreciation & Amortization Reserve	
	39	Accumulated Deferred Income Tax	
	40	Customer Deposits	
	41	Land Development Agreement Deposits	
	42	Other Assets & Liabilities	
	43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

Qwest Arizona
Intrastate
Operating Income Annualization
($000's)

Line	Type	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	Local Recur	5001.11 - Business Recurring	Business Lines	0.8975	-46.89 / -24.61	(304,210)	(295,983)	(8,227)
2	Local Recur	5001.21 - Residence Recurring	Consumer Lines	0.9506	-382.81	(274,382)	(252,212)	(22,170)
3	Local Recur	5001.71 - Interexchange Carrier Access Line Recurring	Public Lines	0.7483	-10.06	(90)	(45)	(45)
4	Local Recur	5060.111 - Recurring Business - Central Office Features	Business Lines	0.7354	-5.93 / -9.95	(41,128)	(38,882)	(2,246)
5	Local Recur	5060.113 - Recurring Business - Central Office Features Usage	Period Number	0.5532	5.49	(1,002)	(908)	(93)
6	Local Recur	5060.121 - Residence Central Office Features Recurring	Consumer Lines	0.7470	-10.02	(132,061)	(120,192)	(11,869)
7	Local Recur	5060.131 - Public Central Office Features Recurring	Public Lines	0.6613	-8.15	(180)	(178)	(1)
8	Access Rev	5084.21 - Switched Access InterLATA	Access MOU/ Rate	0.8973	2.79 / 7.16	(18,207)	(16,434)	(1,773)
9	Access Rev	5084.22 - Switched Access IntraLATA	Access MOU	0.5101	-37.19	(16,622)	(18,677)	2,055
10	Access Rev	5084.29 - Switched Access Other	Access MOU/ Rate	0.5986	7.12	(1,747)	(1,193)	(554)
11	Access Rev	5084.32 - Private Line Transport Recurring	Access MOU	0.6874	2.51	(36,655)	(36,593)	(62)
12	Local NonRecur	5001.12 - Business NonRecurring	Business Orders	0.5837	2.66 / 2.58	(6,989)	(7,221)	231
13	Local NonRecur	5001.22 - Residence NonRecurring	Residence Lines	0.5747	-6.78	(17,524)	(14,782)	(2,742)
14	Toll	5100.22 - Long Distance Message Revenue - Residence	Consumer Lines	0.7218	9.39	(3,417)	(1,929)	(1,488)
15	Toll	5100.23, .24, .26 & .29 - Long Distance Message Revenue - Other	Period Number	0.5234	6.11	(2,014)	(1,644)	(370)
16	Toll	5100.42 - Toll Calling Revenue - Residence	Period Number	0.7929	11.41	(1,455)	(736)	(719)
17	Dir Asst	5060.34 - Directory Assistance Revenue - Resale	Period Number	0.4998	5.83	(137)	(107)	(30)
18	White Pages	5230.11 Directory Rev White Pages - NonStd Listings	Access Lines	0.9703	33.34	(13,181)	(12,161)	(1,020)
19	White Pages	5230.19 Directory Rev White Pages - Other	Access MOU/ Rate	0.8213	12.50	(2,830)	(3,289)	460
20	Miscellaneous	5264.3 - Miscellaneous - Late Payment Fee	Access Lines	0.7578	10.31	(7,702)	(6,020)	(1,682)
21	Miscellaneous	5270 - Miscellaneous - Carrier Billing & Colle	Access Lines	0.5520	6.47	(15,595)	(13,860)	(1,735)
22	Uncollectibles	5301.2 - End User	Total Lines	0.5422	6.35	17,140	15,280	(1,860)
23	Uncollectibles	5301.8 - Nonregulated	Period Number	0.7741	-9.97	1,380	835	(546)
Summary								
24	Local Revenue							(47,162)
25	Access Revenue							(334)
26	Intrastate Toll							(2,577)
27	Miscellaneous							(4,007)
28	Uncollectibles							(2,405)

Qwest Arizona
Intrastate
Recurring Revenue Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	5001.11 - Business Recurring	Business Lines	**0.8975**	**-46.89 / -24.61**	304,210	295,983	(8,227)
2	5001.21 - Residence Recurring	Consumer Lines	**0.9506**	**-382.81**	274,382	252,212	(22,170)
3	5001.71 - Interexchange Carrier Access Line Recurring	Public Lines	**0.7483**	**-10.06**	90	45	(45)
4	5060.111 - Recurring Business - Central Office Features	Business Lines	**0.7354**	**-5.93 / -9.95**	41,128	38,882	(2,246)
5	5060.113 - Recurring Business - Central Office Features Usage	Period Number	**0.5532**	**6.49**	1,002	908	(93)
6	5060.121 - Residence Central Office Features Recurring	Consumer Lines	**0.7470**	**-10.02**	132,061	120,192	(11,869)
7	5060.123 - Residence Central Office Features Usage	Consumer Lines	**0.4401**	**-5.17**	5,333	5,333	
8	5060.131 - Public Central Office Features Recurring	Public Lines	**0.6613**	**-8.15**	180	178	(1)
9	5060.141 - Resale Central Office Features Recurring Business	IEC Lines	**0.1357**	**2.31**	860	860	
10	5060.142 - Resale Central Office Features Recurring Residence	Consumer Lines	**0.8473**	**-13.73**	318	318	
11	5060.151 - Resale Central Office Features Recurring Number Portability	Wholesale Lines	**0.4011**	**4.77**	4	4	
12	5060.41 - Radio Common Carrier and Cellular - Recurring	Total Lines	**0.1357**	**2.31**	2,126	2,126	
13	**TOTAL RECURRING**				**761,693**	**717,042**	**(44,651)**

Qwest Arizona
Basic Local Service Revenue
Recurring Residence

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(21,017,670)
Multiplier	12
Annual Amount	(252,212,043)
Actual 2003 Expense	(274,382,244)
Revenue Increase (Decrease)	**(22,170,201)**

Regression Results

R Square	**0.9506**
Independent Variable T-Scores	
Residential Access Lines	(382.81)

Year	Amount	Res Average Lines in Service
2001	(317,453,311)	2,076,153
2002	(301,684,096)	1,957,283
2003	(274,382,244)	1,781,965

Period	Amount	Res Lines	Regressed Value	Diff
200101	(27,065,121)	2,101,240	*(26,903,122)*	*(161,999)*
200102	(27,289,011)	2,106,816	*(26,974,514)*	*(314,497)*
200103	(27,104,376)	2,105,393	*(26,956,295)*	*(148,081)*
200104	(26,886,032)	2,090,691	*(26,768,058)*	*(117,974)*
200105	(26,545,050)	2,083,286	*(26,673,249)*	*128,198*
200106	(26,846,586)	2,074,558	*(26,561,500)*	*(285,086)*
200107	(26,380,846)	2,070,980	*(26,515,690)*	*134,844*
200108	(26,141,746)	2,068,079	*(26,478,547)*	*336,801*
200109	(25,400,419)	2,063,616	*(26,421,405)*	*1,020,986*
200110	(25,961,176)	2,057,365	*(26,341,371)*	*380,194*
200111	(25,892,723)	2,051,651	*(26,268,212)*	*375,489*
200112	(25,940,225)	2,040,160	*(26,121,087)*	*180,862*
200201	(26,043,582)	2,033,390	*(26,034,408)*	*(9,174)*
200202	(26,258,979)	2,023,400	*(25,906,501)*	*(352,477)*
200203	(25,848,906)	2,007,850	*(25,707,408)*	*(141,498)*
200204	(25,442,602)	1,984,880	*(25,413,312)*	*(29,290)*
200205	(24,740,579)	1,968,596	*(25,204,821)*	*464,242*
200206	(24,562,331)	1,952,745	*(25,001,874)*	*439,542*
200207	(24,569,438)	1,948,478	*(24,947,241)*	*377,803*
200208	(24,928,310)	1,931,229	*(24,726,395)*	*(201,915)*
200209	(24,668,203)	1,920,022	*(24,582,906)*	*(85,297)*
200210	(24,513,679)	1,911,789	*(24,477,495)*	*(36,184)*
200211	(25,077,118)	1,906,709	*(24,412,454)*	*(664,664)*
200212	(25,030,369)	1,898,304	*(24,304,841)*	*(725,528)*
200301	(24,817,093)	1,893,778	*(24,246,893)*	*(570,201)*
200302	(24,776,288)	1,886,005	*(24,147,371)*	*(628,917)*
200303	(24,368,861)	1,870,719	*(23,951,658)*	*(417,204)*
200304	(24,101,498)	1,840,399	*(23,563,457)*	*(538,041)*
200305	(23,303,528)	1,820,715	*(23,311,434)*	*7,906*
200306	(22,528,707)	1,799,333	*(23,037,671)*	*508,964*
200307	(22,601,972)	1,782,036	*(22,816,209)*	*214,237*
200308	(21,898,101)	1,754,932	*(22,469,185)*	*571,083*
200309	(21,957,344)	1,729,557	*(22,144,297)*	*186,954*
200310	(21,685,442)	1,699,145	*(21,754,919)*	*69,476*
200311	(21,304,400)	1,665,403	*(21,322,905)*	*18,504*
200312	(21,039,010)	1,641,563	*(21,017,670)*	*(21,339)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.97499
R Square	0.950606
Adjusted R Square	0.922034
Standard Error	389912
Observations	36

ANOVA

	df	*SS*	*MS*	*F*
Regression	1	1.02E+14	1.02E+14	673.5842
Residual	35	5.32E+12	1.52E+11	
Total	36	1.08E+14		

	Coefficients	*andard Erro*	*t Stat*	*P-value*
Intercept	0	#N/A	#N/A	#N/A
Res Lines	-12.8035	0.033446	-382.813	5.52E-65

Qwest Arizona
Basic Local Service Revenue
Recurring Business

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(24,665,240)
Multiplier	12
Annual Amount	(295,982,883)
Actual 2003 Expense	(304,209,649)
Revenue Increase (Decrease)	**(8,226,766)**

Regression Results

R Square	**0.8975**
Independent Variable T-Scores	
General Business Lines	(46.89)
National Business Lines	(24.61)

Year	Amount	NBA - Average Lines in Service	GBA - Average Lines in Service
2001	(357,673,862)	472,354	389,621
2002	(326,635,660)	526,382	245,854
2003	(304,209,649)	498,309	227,808

Period	Amount	NBA	GBA
200101	(30,483,698)	490,270	382,004
200102	(29,818,711)	489,027	384,142
200103	(31,024,016)	486,673	383,882
200104	(29,486,412)	477,303	396,678
200105	(30,969,312)	474,332	395,295
200106	(30,438,502)	472,012	396,855
200107	(31,188,652)	466,873	399,235
200108	(29,911,592)	465,131	394,850
200109	(28,714,279)	464,006	390,140
200110	(28,919,980)	461,877	386,736
200111	(27,831,458)	461,248	385,136
200112	(28,887,250)	459,490	380,500
200201	(28,578,888)	543,700	293,806
200202	(28,271,677)	539,810	294,548
200203	(28,322,174)	534,448	238,312
200204	(27,184,504)	529,993	237,648
200205	(26,414,129)	527,878	238,707
200206	(26,648,320)	525,979	238,123
200207	(27,006,078)	523,897	237,607
200208	(26,893,413)	521,941	234,570
200209	(26,379,320)	520,951	234,468
200210	(27,547,846)	519,088	233,840
200211	(26,565,066)	517,997	232,691
200212	(26,824,246)	510,899	236,130
200301	(25,259,172)	509,365	235,797
200302	(26,484,854)	509,928	232,669
200303	(26,418,312)	508,305	234,627
200304	(25,323,678)	506,102	232,683
200305	(25,421,695)	504,196	230,766
200306	(24,795,300)	501,691	228,524
200307	(25,500,368)	498,127	227,842
200308	(24,923,527)	492,938	229,531
200309	(25,585,044)	491,877	223,149
200310	(24,927,986)	488,877	220,159
200311	(24,840,297)	485,253	218,885
200312	(24,729,416)	483,047	219,059

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.947387
R Square	0.897541
Adjusted R Square	0.865116
Standard Error	656687.9
Observations	36

ANOVA

	df	*SS*	*MS*	*F*
Regression	2	1.28E+14	6.42E+13	148.9208
Residual	34	1.47E+13	4.31E+11	
Total	36	1.43E+14		

	Coefficients	*andard Erro*	*t Stat*	*P-value*
Intercept	0	#N/A	#N/A	#N/A
NBA	-36.463	0.777669	-46.8876	1.75E-32
GBA	-32.1917	1.307994	-24.6115	3E-23

Qwest Arizona
Basic Local Service Revenue
5001.71 - Interexchange Carrier Access Line Recurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(3,788)
Multiplier	12
Annual Amount	(45,455)
Actual 2003 Expense	(90,144)
Revenue Increase (Decrease)	**(44,689)**

Regression Results

R Square	**0.7483**
Independent Variable T-Scores	
Public Access Lines	(10.06)

Year	Amount	Public Average Lines in Service
2001	(127,417)	27,793
2002	(105,059)	19,410
2003	(90,144)	16,042

Period	Amount	Public
200101	(9,881)	28878
200102	(9,029)	28725
200103	(9,248)	28533
200104	(9,522)	28239
200105	(11,880)	28129
200106	(11,579)	27887
200107	(11,614)	27669
200108	(11,928)	27434
200109	(11,369)	27411
200110	(11,005)	27267
200111	(10,175)	26832
200112	(10,185)	26515
200201	(8,709)	24956
200202	(9,838)	23477
200203	(9,762)	20677
200204	(8,862)	19334
200205	(8,793)	19016
200206	(8,720)	18885
200207	(8,666)	18730
200208	(8,517)	18408
200209	(8,517)	17863
200210	(8,439)	17523
200211	(8,162)	17140
200212	(8,074)	16907
200301	(8,023)	16818
200302	(8,024)	16666
200303	(8,024)	16510
200304	(7,643)	16285
200305	(7,827)	16133
200306	(7,651)	15948
200307	(7,253)	15870
200308	(7,334)	15770
200309	(7,327)	15751
200310	(7,150)	15689
200311	(7,098)	15569
200312	(6,791)	15499

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.865068
R Square	0.748342
Adjusted R Square	0.740941
Standard Error	751.1982
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	57052945	57052945
Residual	34	19186159	564298.8
Total	35	76239104	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-3809.3	527.4888	-7.22157
Public	-0.2444	0.024306	-10.0551

Qwest Arizona
Basic Local Service Revenue
5060.111 - Recurring Business - Central Office Features

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(3,240,208)
Multiplier	12
Annual Amount	(38,882,493)
Actual 2003 Expense	(41,128,493)
Revenue Increase (Decrease)	**(2,246,000)**

Regression Results

R Square	**0.7354**
Independent Variable T-Scores	
General Business Lines	(5.73)
National Business Lines	(9.52)

Year	Amount	NBA - Average Lines in Service	GBA - Average Lines in Service
2001	(50,922,745)	472,354	389,621
2002	(47,425,494)	526,382	245,854
2003	(41,128,493)	498,309	227,808

Period	Amount	NBA	GBA
200101	(4,696,568)	490,270	382,004
200102	(4,678,192)	489,027	384,142
200103	(4,432,080)	486,673	383,882
200104	(4,358,618)	477,303	396,678
200105	(4,278,690)	474,332	395,295
200106	(4,366,180)	472,012	396,855
200107	(4,032,403)	466,873	399,235
200108	(4,070,224)	465,131	394,850
200109	(3,848,722)	464,006	390,140
200110	(3,966,954)	461,877	386,736
200111	(4,076,621)	461,248	385,136
200112	(4,117,494)	459,490	380,500
200201	(3,919,051)	543,700	293,806
200202	(4,035,121)	539,810	294,548
200203	(3,989,760)	534,448	238,312
200204	(3,907,445)	529,993	237,648
200205	(3,994,411)	527,878	238,707
200206	(4,351,703)	525,979	238,123
200207	(4,037,705)	523,897	237,607
200208	(3,935,897)	521,941	234,570
200209	(3,844,924)	520,951	234,468
200210	(3,973,150)	519,088	233,640
200211	(3,714,809)	517,997	232,691
200212	(3,721,517)	510,899	236,130
200301	(3,884,256)	509,365	235,797
200302	(3,871,477)	509,928	232,669
200303	(3,817,862)	508,305	234,627
200304	(3,111,410)	506,102	232,683
200305	(3,369,720)	504,196	230,766
200306	(3,302,187)	501,691	228,524
200307	(3,368,992)	498,127	227,842
200308	(3,332,050)	492,938	229,531
200309	(3,353,799)	491,877	223,149
200310	(3,230,526)	488,877	220,159
200311	(3,221,227)	485,253	218,885
200312	(3,264,989)	483,047	219,059

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.857539
R Square	**0.735373**
Adjusted R Square	0.719335
Standard Error	219723
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	2	4.43E+12	2.21E+12
Residual	33	1.59E+12	4.83E+10
Total	35	6.02E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	3921413	1177996	3.328886
NBA	-11.8936	2.075252	-5.73116
GBA	-6.46608	0.679159	-9.52072

Qwest Arizona
Basic Local Service Revenue
5060.113 - Recurring Business - Central Office Features Usage

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(75,701)
Multiplier	12
Annual Amount	(908,416)
Actual 2003 Expense	(1,001,609)
Revenue Increase (Decrease)	**(93,194)**

Regression Results

R Square	**0.5532**
Independent Variable T-Scores	
Month Number	6.49

Year	Amount
2001	(1,383,914)
2002	(1,189,357)
2003	(1,001,609)

Period	Amount	Period Nbr
200101	(116,972)	1
200102	(175,210)	2
200103	(139,667)	3
200104	(112,025)	4
200105	(103,866)	5
200106	(113,731)	6
200107	(114,861)	7
200108	(107,587)	8
200109	(96,077)	9
200110	(111,669)	10
200111	(102,542)	11
200112	(89,708)	12
200201	(107,721)	13
200202	(99,074)	14
200203	(102,601)	15
200204	(105,800)	16
200205	(107,819)	17
200206	(100,917)	18
200207	(97,696)	19
200208	(95,979)	20
200209	(99,922)	21
200210	(103,113)	22
200211	(81,498)	23
200212	(87,215)	24
200301	(76,035)	25
200302	(78,248)	26
200303	(80,355)	27
200304	(77,377)	28
200305	(89,465)	29
200306	(83,983)	30
200307	(81,640)	31
200308	(77,884)	32
200309	(85,274)	33
200310	(85,482)	34
200311	(90,031)	35
200312	(95,837)	36

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.743742
R Square	**0.553152**
Adjusted R Square	0.54001
Standard Error	12957
Observations	36

ANOVA

	df	*SS*	*MS*	*F*
Regression	1	7.07E+09	7.07E+09	42.08853
Residual	34	5.71E+09	1.68E+08	
Total	35	1.28E+10		

	Coefficients	*standard Erro*	*t Stat*	*P-value*
Intercept	-124252	4410.577	-28.1713	3.75E-25
Period Nbr	1348.623	207.8781	6.487568	2.02E-07

Qwest Arizona
Basic Local Service Revenue
5060.121 - Residence Central Office Features Recurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(10,015,977)
Multiplier	12
Annual Amount	(120,191,720)
Actual 2003 Expense	(132,060,729)
Revenue Increase (Decrease)	**(11,869,010)**

Regression Results

R Square	**0.7470**
Independent Variable T-Scores	
Consumer Excluding Public	(10.02)

Year	Amount
2001	(160,138,400)
2002	(154,720,085)
2003	(132,060,729)

Period	Amount	Consumer Excluding Public
200101	(13,266,727)	2,072,362
200102	(13,389,634)	2,078,091
200103	(13,202,104)	2,076,860
200104	(13,270,644)	2,062,452
200105	(13,145,573)	2,055,157
200106	(13,033,126)	2,046,671
200107	(13,306,027)	2,043,311
200108	(13,561,969)	2,040,645
200109	(13,564,742)	2,036,205
200110	(13,456,561)	2,030,098
200111	(13,512,321)	2,024,819
200112	(13,428,973)	2,013,645
200201	(13,308,030)	1,983,478
200202	(13,053,150)	1,976,446
200203	(13,646,564)	1,966,496
200204	(13,714,827)	1,946,212
200205	(13,469,515)	1,930,564
200206	(13,374,360)	1,914,975
200207	(13,341,170)	1,904,393
200208	(12,949,172)	1,894,413
200209	(12,876,565)	1,884,296
200210	(12,811,922)	1,876,743
200211	(9,661,481)	1,872,429
200212	(12,513,331)	1,881,397
200301	(11,946,917)	1,876,960
200302	(11,633,115)	1,869,339
200303	(11,660,524)	1,854,209
200304	(11,739,845)	1,824,114
200305	(11,112,151)	1,804,582
200306	(11,097,004)	1,783,385
200307	(11,056,902)	1,766,166
200308	(10,909,513)	1,739,162
200309	(10,604,951)	1,713,806
200310	(10,336,593)	1,683,456
200311	(10,118,535)	1,649,834
200312	(9,844,679)	1,626,064

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.864301
R Square	**0.747016**
Adjusted R Square	0.739576
Standard Error	640398.9
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	4.12E+13	4.12E+13
Residual	34	1.39E+13	4.1E+11
Total	35	5.51E+13	

	Coefficients	*andard Erro*	*t Stat*
Intercept	3661754	1607990	2.277225
Consumer Excluding	-8.41156	0.839495	-10.0198

Qwest Arizona
Basic Local Service Revenue
5060.123 - Residence Central Office Features Usage

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(354,344)
Multiplier	12
Annual Amount	(4,252,133)
Actual 2003 Expense	(5,333,236)
Revenue Increase (Decrease)	**(1,081,104)**

Regression Results

R Square	**0.4401**
Independent Variable T-Scores	
Month Number	(5.17)

Year	Amount
2001	(7,306,066)
2002	(5,606,122)
2003	(5,333,236)

Period	Amount	Consumer Excluding Public	Period Nbr
200101	(644,254)	2,072,362	1
200102	(944,415)	2,078,091	2
200103	(664,520)	2,076,860	3
200104	(623,938)	2,062,452	4
200105	(622,071)	2,055,157	5
200106	(580,372)	2,046,671	6
200107	(644,686)	2,043,311	7
200108	(551,767)	2,040,645	8
200109	(493,778)	2,036,205	9
200110	(572,655)	2,030,098	10
200111	(460,250)	2,024,819	11
200112	(503,362)	2,013,645	12
200201	(485,753)	1,983,478	13
200202	(437,273)	1,976,446	14
200203	(482,979)	1,966,496	15
200204	(464,480)	1,946,212	16
200205	(518,478)	1,930,564	17
200206	(511,645)	1,914,975	18
200207	(463,901)	1,904,393	19
200208	(458,369)	1,894,413	20
200209	(453,502)	1,884,296	21
200210	(452,610)	1,876,743	22
200211	(429,647)	1,872,429	23
200212	(447,485)	1,881,397	24
200301	(461,607)	1,876,960	25
200302	(407,757)	1,869,339	26
200303	(460,883)	1,854,209	27
200304	(436,712)	1,824,114	28
200305	(471,814)	1,804,582	29
200306	(476,442)	1,783,385	30
200307	(461,544)	1,766,166	31
200308	(457,942)	1,739,162	32
200309	(466,047)	1,713,806	33
200310	(430,614)	1,683,456	34
200311	(408,868)	1,649,834	35
200312	(393,007)	1,626,064	36

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.663385
R Square	**0.44008**
Adjusted R Square	0.423611
Standard Error	78909.59
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.66E+11	1.66E+11
Residual	34	2.12E+11	6.23E+09
Total	35	3.78E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	515170.2	198135.6	2.600089
Consumer Excluding	-0.53474	0.103442	**-5.16942**

Qwest Arizona
Basic Local Service Revenue
5060.131 - Public Central Office Features Recurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(14,874)
Multiplier	12
Annual Amount	(178,483)
Actual 2003 Expense	(179,521)
Revenue Increase (Decrease)	**(1,039)**

Regression Results

R Square	**0.6613**
Independent Variable T-Scores	
Public	(8.15)

Year	Amount
2001	(209,181)
2002	(189,589)
2003	(179,521)

Period	Amount	Public
200101	(18,121)	28,878
200102	(18,122)	28,725
200103	(18,169)	28,533
200104	(18,163)	28,239
200105	(18,098)	28,129
200106	(18,053)	27,887
200107	(17,981)	27,669
200108	(17,580)	27,434
200109	(14,464)	27,411
200110	(16,903)	27,267
200111	(16,671)	26,832
200112	(16,855)	26,515
200201	(17,032)	24,956
200202	(16,883)	23,477
200203	(16,614)	20,677
200204	(16,368)	19,334
200205	(13,869)	19,016
200206	(14,367)	18,885
200207	(15,116)	18,730
200208	(15,398)	18,408
200209	(16,359)	17,863
200210	(15,890)	17,523
200211	(15,721)	17,140
200212	(15,973)	16,907
200301	(15,954)	16,818
200302	(16,035)	16,666
200303	(15,583)	16,510
200304	(15,327)	16,285
200305	(14,925)	16,133
200306	(14,358)	15,948
200307	(14,659)	15,870
200308	(14,715)	15,770
200309	(14,557)	15,751
200310	(14,454)	15,689
200311	(14,357)	15,569
200312	(14,598)	15,499

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.813232
R Square	**0.661346**
Adjusted R Square	0.651386
Standard Error	808.5293
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	43405377	43405377
Residual	34	22226466	653719.6
Total	35	65631843	

	Coefficients	*standard Erro*	*t Stat*
Intercept	-11569.6	567.7465	-20.3781
Public	-0.21317	0.026161	-8.14847

Qwest Arizona
Basic Local Service Revenue
5060.141 - Resale Central Office Features Recurring Business

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(62,820)
Multiplier	12
Annual Amount	(753,845)
Actual 2003 Expense	(859,669)
Revenue Increase (Decrease)	**(105,824)**

Regression Results

R Square	**0.1357**
Independent Variable T-Scores	
IEC Lines	2.31

Year	Amount
2001	(948,808)
2002	(508,571)
2003	(859,669)

Period	Amount	IEC Lines
200101	(90,529)	3,609
200102	(141,360)	3,624
200103	(408)	3,453
200104	(103,479)	2,956
200105	(69,103)	2,938
200106	(99,564)	2,891
200107	(102,504)	2,785
200108	(46,745)	2,648
200109	(121,305)	2,619
200110	(68,089)	2,698
200111	(52,199)	2,649
200112	(53,525)	2,566
200201	(53,338)	2,556
200202	(59,502)	2,526
200203	(52,606)	58,042
200204	(43,418)	58,877
200205	(41,274)	59,151
200206	(34,584)	61,522
200207	(42,496)	62,472
200208	(22,589)	62,411
200209	(44,280)	62,123
200210	(40,835)	63,699
200211	(34,893)	65,163
200212	(38,755)	68,282
200301	(85,096)	68,880
200302	(77,404)	68,925
200303	(76,580)	65,203
200304	(78,153)	62,517
200305	(72,335)	58,817
200306	(72,012)	34,709
200307	(71,981)	36,167
200308	(68,118)	36,321
200309	(67,762)	41,166
200310	(68,747)	41,063
200311	(59,612)	39,435
200312	(61,870)	39,011

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.36842
R Square	**0.135734**
Adjusted R Square	0.110314
Standard Error	26111.02
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	3.64E+09	3.64E+09
Residual	34	2.32E+10	6.82E+08
Total	35	2.68E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-77265.6	7079.414	-10.9141
IEC Lines	0.370284	0.160242	**2.310783**

Qwest Arizona
Basic Local Service Revenue
5060.142 - Resale Central Office Features Recurring Residence

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	10,764
Multiplier	12
Annual Amount	10,764
Actual 2003 Expense	(318,023)
Revenue Increase (Decrease)	**(328,787)**

Dec / 4th Quarter Annualized

Dec/4Q x 12 / 4	(122,713)
Revenue Increase (Decrease)	**(195,309)**

Regression Results

R Square	**0.8473**
Independent Variable T-Scores	
Month Number	(13.73)

Year	Amount
2001	(1,360,569)
2002	(862,599)
2003	(318,023)

Period	Amount	Consumer Excluding Public Lines	Forecast
200101	(123,113)	2,072,362	*(116,570)*
200102	(141,763)	2,078,091	*(118,204)*
200103	(138,962)	2,076,860	*(117,853)*
200104	(136,949)	2,062,452	*(113,742)*
200105	(116,847)	2,055,157	*(111,661)*
200106	(121,024)	2,046,671	*(109,240)*
200107	(114,286)	2,043,311	*(108,281)*
200108	(110,751)	2,040,645	*(107,521)*
200109	(100,587)	2,036,205	*(106,254)*
200110	(92,058)	2,030,098	*(104,511)*
200111	(85,574)	2,024,819	*(103,005)*
200112	(78,657)	2,013,645	*(99,817)*
200201	(73,494)	1,983,478	*(91,210)*
200202	(67,203)	1,976,446	*(89,204)*
200203	(64,736)	1,966,496	*(86,365)*
200204	(59,878)	1,946,212	*(80,578)*
200205	(56,713)	1,930,564	*(76,113)*
200206	(64,252)	1,914,975	*(71,665)*
200207	(70,539)	1,904,393	*(68,646)*
200208	(77,611)	1,894,413	*(65,799)*
200209	(86,933)	1,884,296	*(62,912)*
200210	(87,410)	1,876,743	*(60,757)*
200211	(80,801)	1,872,429	*(59,527)*
200212	(73,029)	1,881,397	*(62,085)*
200301	(63,743)	1,876,960	*(60,819)*
200302	(59,218)	1,869,339	*(58,645)*
200303	(52,990)	1,854,209	*(54,328)*
200304	(30,056)	1,824,114	*(45,742)*
200305	(26,962)	1,804,582	*(40,169)*
200306	(21,228)	1,783,385	*(34,121)*
200307	(12,327)	1,766,166	*(29,208)*
200308	(10,071)	1,739,162	*(21,504)*
200309	(11,147)	1,713,806	*(14,270)*
200310	(10,144)	1,683,456	*(5,610)*
200311	(9,910)	1,649,834	*3,982*
200312	(10,226)	1,626,064	*10,764*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.9204779
R Square	**0.8472796**
Adjusted R Square	0.8427879
Standard Error	15847.032
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	4.74E+10	4.74E+10
Residual	34	8.54E+09	2.51E+08
Total	35	5.59E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	474699.59	39790.61	11.92994
Consumer Excluding	-0.2853118	0.020774	-13.73423

Qwest Arizona
Basic Local Service Revenue
5060.151 - Resale Central Office Features Recurring Number Portability

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	1,656
Multiplier	12
Annual Amount	19,870
Actual 2003 Expense	(4,001)
Revenue Increase (Decrease)	**(23,871)**

Dec / 4th Quarter Annualized

Dec/4Q x 12 / 4	(1,300)
Revenue Increase (Decrease)	**(2,701)**

Regression Results

R Square	**0.4011**
Independent Variable T-Scores	
Wholesale Lines	4.77

Year	Amount
2001	(53,718)
2002	(21,088)
2003	(4,001)

Period	Amount	Wholesale Lines	*Forecast Rev*
200101	(4,289)	66,706	*(3,318)*
200102	(4,616)	69,304	*(3,236)*
200103	(4,751)	73,086	*(3,117)*
200104	(4,750)	77,020	*(2,993)*
200105	(4,750)	77,851	*(2,967)*
200106	(4,750)	80,416	*(2,886)*
200107	(4,320)	82,081	*(2,834)*
200108	(4,370)	83,290	*(2,796)*
200109	(4,370)	87,168	*(2,674)*
200110	(4,241)	85,794	*(2,717)*
200111	(4,256)	85,077	*(2,740)*
200112	(4,256)	85,030	*(2,741)*
200201	(1,805)	84,112	*(2,770)*
200202	(4,046)	84,464	*(2,759)*
200203	(3,518)	80,612	*(2,880)*
200204	(2,762)	78,263	*(2,954)*
200205	(1,534)	79,829	*(2,905)*
200206	(2,432)	81,947	*(2,838)*
200207	(800)	90,384	*(2,573)*
200208	(855)	92,643	*(2,502)*
200209	(855)	95,999	*(2,396)*
200210	(810)	95,975	*(2,397)*
200211	(836)	95,557	*(2,410)*
200212	(836)	94,980	*(2,428)*
200301	(836)	95,027	*(2,427)*
200302	(745)	97,103	*(2,362)*
200303	(370)	101,241	*(2,232)*
200304	(437)	106,851	*(2,055)*
200305	(437)	112,854	*(1,866)*
200306	(437)	119,348	*(1,662)*
200307	(437)	127,398	*(1,409)*
200308	403	143,347	*(908)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.6333
R Square	**0.401069**
Adjusted R Square	0.383453
Standard Error	1472.049
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	49336219	49336219
Residual	34	73675565	2166928
Total	35	1.23E+08	

	Coefficients	*andard Erro*	*t Stat*
Intercept	**-5415.03**	719.2156	-7.52907
Wholesale Lines	**0.031444**	0.00659	**4.771563**

Qwest Arizona
Basic Local Service Revenue
5060.41 - Radio Common Carrier and Cellular - Recurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	899,345
Multiplier	12
Annual Amount	899,345
Actual 2003 Expense	(2,125,864)
Revenue Increase (Decrease)	**(3,025,210)**

Dec / 4th Quarter Annualized	
Dec/4Q x 12 / 4	(2,199,851)
Revenue Increase (Decrease)	**73,987**

Regression Results

R Square	**0.1357**
Independent Variable T-Scores	
Access Lines	2.31

Year	Amount
2001	(1,956,182)
2002	(1,916,996)
2003	(2,125,864)

Period	Amount	Total Lines
200101	(158,189)	3,029,958
200102	(133,395)	3,039,202
200103	(156,038)	3,038,499
200104	(189,519)	3,030,122
200105	(177,834)	3,022,840
200106	(180,190)	3,016,577
200107	(187,587)	3,012,510
200108	(184,912)	3,005,180
200109	(184,311)	3,000,467
200110	(130,125)	2,990,027
200111	(133,346)	2,983,302
200112	(140,737)	2,970,338
200201	(177,012)	2,937,951
200202	(120,884)	2,928,936
200203	(173,824)	2,909,579
200204	(154,185)	2,883,093
200205	(171,734)	2,867,602
200206	(120,231)	2,853,291
200207	(183,638)	2,849,607
200208	(173,491)	2,833,160
200209	(160,583)	2,829,651
200210	(155,304)	2,821,301
200211	(161,256)	2,818,958
200212	(164,855)	2,827,838
200301	(185,907)	2,822,214
200302	(196,595)	2,814,629
200303	(179,244)	2,800,877
200304	(153,027)	2,771,726
200305	(190,120)	2,751,001
200306	(174,902)	2,708,913
200307	(183,579)	2,697,078
200308	(174,224)	2,683,499
200309	(177,279)	2,673,282
200310	(147,218)	2,663,712
200311	(180,449)	2,649,895

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.36842
R Square	**0.135734**
Adjusted R Square	0.110314
Standard Error	26111.02
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	3.64E+09	3.64E+09
Residual	34	2.32E+10	6.82E+08
Total	35	2.68E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-77265.6	7079.414	-10.9141
IEC Lines	0.370284	0.160242	**2.310783**

Qwest Arizona
Intrastate
Revenue Annualization - Access
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	5084.21 - Switched Access InterLATA	Access MOU/ Rate	**0.8973**	**2.79 / 7.16**	(18,207)	(16,434)	(1,773)
2	5084.22 - Switched Access IntraLATA	Access MOU	**0.5101**	**-37.19**	(16,622)	(18,677)	2,055
3	5084.29 - Switched Access Other	Access MOU/ Rate	**0.5986**	**7.12**	(1,747)	(1,193)	(554)
4	5084.32 - Private Line Transport Recurring	Access MOU	**0.6874**	**2.51**	(36,655)	(36,593)	(62)
5	5084.32 - Private Line Transport NonRecurring	Access MOU	**0.2696**	**0.30**	(866)	(866)	
6	**Total State Access Revenue**				**(74,097)**	**(73,764)**	**(334)**

Qwest Arizona
State Access Revenue
5084.21 - Switched Access InterLATA

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(1,369,476)
Multiplier	12
Annual Amount	(16,433,709)
Actual 2003 Revenue	(18,207,005)
Revenue Increase (Decrease)	**(1,773,296)**

Regression Results

R Square	**0.8973**
Independent Variable T-Scores	
Switched Access MOU	(2.79)
Average Bill Rate	(7.16)

Year	Amount
2001	(37,379,746)
2002	(26,773,795)
2003	(18,207,005)

Period	Actual Revenue	Billed MOU	Billed Rate	Fitted Revenue
200101	(3,918,253)	126,933	0.0437	*(3,658,617)*
200102	(3,322,151)	132,203	0.0434	*(3,665,857)*
200103	(3,723,294)	114,922	0.0435	*(3,492,477)*
200104	(3,611,516)	142,745	0.0426	*(3,646,502)*
200105	(3,051,921)	118,146	0.0392	*(2,799,905)*
200106	(3,165,362)	123,556	0.0392	*(2,859,481)*
200107	(3,217,564)	118,111	0.0392	*(2,799,516)*
200108	(2,641,784)	139,647	0.0388	*(2,968,967)*
200109	(2,967,500)	129,320	0.0386	*(2,821,365)*
200110	(2,895,446)	126,391	0.0385	*(2,772,176)*
200111	(2,247,831)	124,964	0.0384	*(2,739,528)*
200112	(2,617,123)	111,653	0.0384	*(2,592,939)*
200201	(2,610,899)	109,712	0.0382	*(2,537,702)*
200202	(2,537,564)	117,170	0.0387	*(2,704,496)*
200203	(2,775,509)	106,931	0.0389	*(2,625,596)*
200204	(2,469,303)	119,177	0.0380	*(2,608,072)*
200205	(2,108,172)	107,141	0.0358	*(2,103,011)*
200206	(2,000,511)	105,854	0.0354	*(2,021,111)*
200207	(2,077,834)	108,864	0.0355	*(2,071,199)*
200208	(2,105,005)	109,361	0.0358	*(2,127,469)*
200209	(2,309,861)	106,770	0.0357	*(2,082,000)*
200210	(1,968,049)	101,826	0.0356	*(2,010,621)*
200211	(1,853,542)	100,945	0.0361	*(2,085,573)*
200212	(1,957,545)	93,171	0.0362	*(2,016,889)*
200301	(1,814,974)	87,006	0.0362	*(1,948,999)*
200302	(1,570,048)	90,497	0.0360	*(1,953,586)*
200303	(1,414,796)	81,837	0.0361	*(1,875,145)*
200304	(1,581,780)	85,860	0.0348	*(1,699,324)*
200305	(1,741,046)	76,236	0.0329	*(1,271,635)*
200306	(1,476,042)	75,847	0.0330	*(1,284,284)*
200307	(1,142,374)	76,010	0.0331	*(1,303,003)*
200308	(1,257,359)	83,719	0.0336	*(1,472,568)*
200309	(1,440,087)	84,523	0.0336	*(1,481,425)*
200310	(1,718,043)	90,957	0.0328	*(1,416,820)*
200311	(1,498,633)	93,003	0.0330	*(1,473,214)*
200312	(1,551,824)	88,196	0.0327	*(1,369,476)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.947276
R Square	**0.897332**
Adjusted R Squa	0.89111
Standard Error	245644.5
Observations	36

ANOVA

	df	*SS*
Regression	2	1.74E+13
Residual	33	1.99E+12
Total	35	1.94E+13

	Coefficients	*andard Erro*
Intercept	5138608	581366
Billed MOU	-11.0129	3.948013
Billed Rate	-1.7E+08	23649143

Qwest Arizona
State Access Revenue
5084.22 - Switched Access IntraLATA

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(1,556,447)
Multiplier	12
Annual Amount	(18,677,367)
Actual 2003 Revenue	(16,622,073)
Revenue Increase (Decrease)	**2,055,293**

Regression Results

R Square	**0.5101**
Independent Variable T-Scores	
Switched Access MOU	(37.19)
Average Bill Rate	0.00

Year	Amount
2001	(25,351,390)
2002	(25,349,899)
2003	(16,622,073)

Period	Actual Revenue	Billed MOU	Fitted Revenue
200101	(1,982,835)	126,933	*(2,240,073)*
200102	(1,979,485)	132,203	*(2,333,074)*
200103	(2,234,028)	114,922	*(2,028,106)*
200104	(1,738,380)	142,745	*(2,519,122)*
200105	(1,702,828)	118,146	*(2,085,007)*
200106	(1,719,173)	123,556	*(2,180,476)*
200107	(2,009,112)	118,111	*(2,084,383)*
200108	(2,936,763)	139,647	*(2,464,454)*
200109	(2,350,078)	129,320	*(2,282,193)*
200110	(2,428,345)	126,391	*(2,230,504)*
200111	(2,147,082)	124,964	*(2,205,319)*
200112	(2,123,280)	111,653	*(1,970,417)*
200201	(2,036,145)	109,712	*(1,936,167)*
200202	(2,073,548)	117,170	*(2,067,783)*
200203	(2,287,850)	106,931	*(1,887,083)*
200204	(2,306,541)	119,177	*(2,103,198)*
200205	(1,971,476)	107,141	*(1,890,784)*
200206	(2,156,460)	105,854	*(1,868,075)*
200207	(2,335,674)	108,864	*(1,921,206)*
200208	(2,358,535)	109,361	*(1,929,977)*
200209	(2,148,325)	106,770	*(1,884,248)*
200210	(1,938,109)	101,826	*(1,796,999)*
200211	(1,845,857)	100,945	*(1,781,442)*
200212	(1,891,377)	93,171	*(1,644,244)*
200301	(1,146,841)	87,006	*(1,535,455)*
200302	(968,392)	90,497	*(1,597,071)*
200303	(1,200,659)	81,837	*(1,444,238)*
200304	(1,390,072)	85,860	*(1,515,223)*
200305	(1,138,708)	76,236	*(1,345,395)*
200306	(1,327,171)	75,847	*(1,338,531)*
200307	(1,545,233)	76,010	*(1,341,395)*
200308	(1,889,301)	83,719	*(1,477,452)*
200309	(1,555,751)	84,523	*(1,491,643)*
200310	(1,627,158)	90,957	*(1,605,181)*
200311	(1,537,688)	93,003	*(1,641,284)*
200312	(1,295,098)	88,196	*(1,556,447)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.714208
R Square	0.510093
Adjusted R Squa	0.481521
Standard Error	305761.6
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	3.41E+12	3.41E+12
Residual	35	3.27E+12	9.35E+10
Total	36	6.68E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	0	#N/A	#N/A
Billed MOU	-17.6477	0.474524	-37.1903

Qwest Arizona
State Access Revenue
5084.29 - Switched Access Other

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(99,429)
Multiplier	12
Annual Amount	(1,193,151)
Actual 2003 Revenue	(1,747,081)
Revenue Increase (Decrease)	**(553,930)**

Regression Results

R Square	**0.5986**
Independent Variable T-Scores	
Period Number	7.12

Year	Amount
2001	(3,773,003)
2002	(2,736,221)
2003	(1,747,081)

Period	Actual Revenue	Nbr	Fitted Revenue
200101	(241,452)	1	*(359,254)*
200102	(493,097)	2	*(351,831)*
200103	(443,242)	3	*(344,407)*
200104	(389,395)	4	*(336,984)*
200105	(456,145)	5	*(329,560)*
200106	(420,328)	6	*(322,137)*
200107	(341,619)	7	*(314,713)*
200108	(194,881)	8	*(307,289)*
200109	(151,471)	9	*(299,866)*
200110	(215,635)	10	*(292,442)*
200111	(252,100)	11	*(285,019)*
200112	(173,639)	12	*(277,595)*
200201	(203,828)	13	*(270,172)*
200202	(294,478)	14	*(262,748)*
200203	(226,758)	15	*(255,324)*
200204	(227,533)	16	*(247,901)*
200205	(253,733)	17	*(240,477)*
200206	(226,221)	18	*(233,054)*
200207	(214,234)	19	*(225,630)*
200208	(223,100)	20	*(218,206)*
200209	(221,688)	21	*(210,783)*
200210	(236,539)	22	*(203,359)*
200211	(216,201)	23	*(195,936)*
200212	(191,909)	24	*(188,512)*
200301	(136,105)	25	*(181,089)*
200302	(197,244)	26	*(173,665)*
200303	(146,613)	27	*(166,241)*
200304	(201,365)	28	*(158,818)*
200305	(146,161)	29	*(151,394)*
200306	(146,855)	30	*(143,971)*
200307	(142,294)	31	*(136,547)*
200308	(132,623)	32	*(129,124)*
200309	(186,562)	33	*(121,700)*
200310	(91,453)	34	*(114,276)*
200311	(119,363)	35	*(106,853)*
200312	(100,443)	36	(99,429)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.773676
R Square	**0.598574**
Adjusted R Squa	0.586768
Standard Error	64984.93
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	2.14E+11	2.14E+11
Residual	34	1.44E+11	4.22E+09
Total	35	3.58E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-366678	22120.95	-16.576
Nbr	7423.577	1042.599	**7.120263**

Qwest Arizona
State Access Revenue
5084.31 - Private Line Transport Recurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(3,049,433)
Multiplier	12
Annual Amount	(36,593,202)
Actual 2003 Revenue	(36,655,102)
Revenue Increase (Decrease)	**(61,900)**

Regression Results

R Square	**0.6874**
Independent Variable T-Scores	
Switched Access MOU	(2.51)
Average Bill Rate	(2.53)

Year	Amount
2001	(47,367,660)
2002	(41,650,357)
2003	(36,655,102)

Period	Actual Revenue	Billed MOU	Billed Rate	Fitted Revenue
200101	(4,469,527)	126,933	0.0437	(4,117,930)
200102	(3,679,115)	132,203	0.0434	(4,153,165)
200103	(4,050,495)	114,922	0.0435	(3,983,447)
200104	(3,888,248)	142,745	0.0426	(4,211,402)
200105	(3,891,756)	118,146	0.0392	(3,752,663)
200106	(3,854,473)	123,556	0.0392	(3,807,711)
200107	(4,146,419)	118,111	0.0392	(3,752,303)
200108	(4,144,275)	139,647	0.0388	(3,946,936)
200109	(3,935,733)	129,320	0.0386	(3,829,582)
200110	(3,960,959)	126,391	0.0385	(3,793,647)
200111	(3,800,041)	124,964	0.0384	(3,772,996)
200112	(3,546,619)	111,653	0.0384	(3,637,548)
200201	(3,594,668)	109,712	0.0382	(3,605,539)
200202	(3,490,738)	117,170	0.0387	(3,712,081)
200203	(3,533,631)	106,931	0.0389	(3,620,148)
200204	(3,520,972)	119,177	0.0380	(3,689,591)
200205	(3,482,556)	107,141	0.0358	(3,432,249)
200206	(3,433,507)	105,854	0.0354	(3,394,634)
200207	(3,408,727)	108,864	0.0355	(3,431,400)
200208	(3,590,900)	109,361	0.0358	(3,454,848)
200209	(3,455,679)	106,770	0.0357	(3,422,350)
200210	(3,429,868)	101,826	0.0356	(3,365,911)
200211	(3,364,585)	100,945	0.0361	(3,387,591)
200212	(3,344,527)	93,171	0.0362	(3,314,612)
200301	(3,536,612)	87,006	0.0362	(3,251,882)
200302	(3,356,204)	90,497	0.0360	(3,275,150)
200303	(2,618,096)	81,837	0.0361	(3,193,156)
200304	(3,260,917)	85,860	0.0348	(3,154,395)
200305	(2,921,465)	76,236	0.0329	(2,939,999)
200306	(3,688,944)	75,847	0.0330	(2,942,171)
200307	(3,000,052)	76,010	0.0331	(2,949,952)
200308	(2,841,794)	83,719	0.0336	(3,059,055)
200309	(2,909,897)	84,523	0.0336	(3,067,238)
200310	(2,913,041)	90,957	0.0328	(3,083,664)
200311	(2,922,914)	93,003	0.0330	(3,116,742)
200312	(2,685,166)	88,196	0.0327	(3,049,433)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.829122
R Square	**0.687443**
Adjusted R Squa	0.668501
Standard Error	252117.6
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	2	4.61E+12	2.31E+12
Residual	33	2.1E+12	6.36E+10
Total	35	6.71E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-147428	596685.8	-0.24708
Billed MOU	-10.1758	4.052049	**-2.51128**
Billed Rate	-6.1E+07	24272334	**-2.52555**

Qwest Arizona
State Access Revenue
5084.32 - Private Line Transport NonRecurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(55,809)
Multiplier	12
Annual Amount	(669,711)
Actual 2003 Revenue	(866,163)
Revenue Increase (Decrease)	**(196,453)**

Regression Results

R Square	**0.2696**
Independent Variable T-Scores	
Switched Access MOU	(0.30)
Average Bill Rate	(1.71)

Year	Amount
2001	(1,319,521)
2002	(812,102)
2003	(866,163)

Period	Actual Revenue	Billed MOU	Billed Rate	Fitted Revenue
200101	(72,692)	126,933	0.0437	*(125,320)*
200102	(207,758)	132,203	0.0434	*(124,492)*
200103	(137,838)	114,922	0.0435	*(122,149)*
200104	(160,778)	142,745	0.0426	*(121,691)*
200105	(94,683)	118,146	0.0392	*(98,075)*
200106	(105,696)	123,556	0.0392	*(98,988)*
200107	(81,356)	118,111	0.0392	*(98,069)*
200108	(165,623)	139,647	0.0388	*(99,413)*
200109	(121,800)	129,320	0.0386	*(96,526)*
200110	(6,375)	126,391	0.0385	*(95,459)*
200111	(109,871)	124,964	0.0384	*(94,646)*
200112	(75,050)	111,653	0.0384	*(92,400)*
200201	(50,495)	109,712	0.0382	*(90,927)*
200202	(54,415)	117,170	0.0387	*(95,048)*
200203	(91,869)	106,931	0.0389	*(94,465)*
200204	(56,849)	119,177	0.0380	*(91,379)*
200205	(81,453)	107,141	0.0358	*(76,753)*
200206	(59,796)	105,854	0.0354	*(74,246)*
200207	(82,628)	108,864	0.0355	*(75,327)*
200208	(81,538)	109,361	0.0358	*(77,128)*
200209	(63,920)	106,770	0.0357	*(76,118)*
200210	(60,940)	101,826	0.0356	*(74,712)*
200211	(36,175)	100,945	0.0361	*(77,425)*
200212	(92,025)	93,171	0.0362	*(76,686)*
200301	(55,807)	87,006	0.0362	*(75,646)*
200302	(121,132)	90,497	0.0360	*(75,090)*
200303	(90,765)	81,837	0.0361	*(74,201)*
200304	(56,088)	85,860	0.0348	*(67,438)*
200305	(55,005)	76,236	0.0329	*(54,936)*
200306	(56,726)	75,847	0.0330	*(55,443)*
200307	(90,494)	76,010	0.0331	*(56,043)*
200308	(82,418)	83,719	0.0336	*(60,206)*
200309	(55,771)	84,523	0.0336	*(60,342)*
200310	(90,739)	90,957	0.0328	*(56,848)*
200311	(40,787)	93,003	0.0330	*(58,338)*
200312	(70,432)	88,196	0.0327	*(55,809)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.519199
R Square	**0.269568**
Adjusted R Squa	0.225299
Standard Error	34696.2
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	2	1.47E+10	7.33E+09
Residual	33	3.97E+10	1.2E+09
Total	35	5.44E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	146279.6	82115.37	1.781392
Billed MOU	-0.16873	0.557639	**-0.30259**
Billed Rate	-5724995	3340337	**-1.7139**

Qwest Arizona
Intrastate
NonRecurring Revenue Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	5001.12 - Business NonRecurring	Business Orders	**0.5837**	**2.66 / 2.58**	(6,989)	(7,221)	231
2	5001.22 - Residence NonRecurring	Residence Lines	**0.5747**	**-6.78**	(17,524)	(14,782)	(2,742)
3	**TOTAL NONRECURRING**				**(24,514)**	**(22,003)**	**(2,511)**

Qwest Arizona
Basic Local Service Revenue
5001.12 - Business NonRecurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(601,714)
Multiplier	12
Annual Amount	(7,220,568)
Actual 2003 Revenue	(6,989,475)
Revenue Increase (Decrease)	**231,093**

Regression Results

R Square	**0.5837**
Independent Variable T-Scores	
Dispatched Bus Orders	(2.66)
NonDispatched Bus Orders	(2.58)

Year	Amount
2001	(25,070,319)
2002	(14,231,409)
2003	(6,989,475)

Period	Actual Revenue	Bus Disp Orders	Bus NonDisp Orders	Fitted Revenue
200101	(2,009,902)	7,931	40,135	*(2,474,875)*
200102	(2,052,475)	7,919	37,718	*(2,282,391)*
200103	(2,425,078)	8,426	31,394	*(2,009,124)*
200104	(2,259,578)	7,510	30,628	*(1,557,827)*
200105	(2,503,949)	7,234	33,322	*(1,648,557)*
200106	(1,668,347)	7,597	34,046	*(1,859,991)*
200107	(2,330,500)	7,795	34,700	*(1,995,401)*
200108	(2,207,671)	8,425	36,766	*(2,425,097)*
200109	(1,839,668)	6,932	28,396	*(1,137,513)*
200110	(2,411,730)	8,345	36,314	*(2,355,832)*
200111	(2,171,256)	6,588	30,797	*(1,176,437)*
200112	(1,190,165)	6,269	30,805	*(1,040,569)*
200201	(2,911,659)	6,684	36,344	*(1,647,477)*
200202	(1,136,794)	6,392	30,872	*(1,098,389)*
200203	(950,245)	6,730	34,356	*(1,513,063)*
200204	(1,460,149)	6,719	32,433	*(1,359,298)*
200205	(1,396,503)	6,792	34,843	*(1,577,339)*
200206	(1,164,479)	6,472	28,181	*(924,030)*
200207	(1,136,356)	6,841	29,174	*(1,158,882)*
200208	(885,810)	6,626	29,778	*(1,113,710)*
200209	(1,228,452)	7,222	28,235	*(1,249,113)*
200210	(591,369)	6,976	29,562	*(1,246,719)*
200211	(675,991)	6,200	24,733	*(540,386)*
200212	(693,602)	5,642	26,822	*(463,564)*
200301	(476,430)	6,645	28,767	*(1,043,473)*
200302	(508,772)	6,537	26,867	*(849,989)*
200303	(546,394)	6,554	27,073	*(873,230)*
200304	(264,007)	6,246	27,543	*(777,880)*
200305	(428,800)	6,294	25,455	*(636,570)*
200306	(532,567)	6,759	30,881	*(1,256,113)*
200307	(720,543)	6,602	33,683	*(1,406,130)*
200308	(632,394)	6,328	29,497	*(964,425)*
200309	(699,606)	6,392	27,548	*(840,735)*
200310	(796,208)	6,942	27,595	*(1,079,703)*
200311	(507,650)	5,547	22,729	*(105,655)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.76397451
R Square	**0.58365705**
Adjusted R Square	0.55842414
Standard Error	499528.581
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	2	1.15E+13	5.77E+12
Residual	33	8.23E+12	2.5E+11
Total	35	1.98E+13	

	Coefficients	*andard Erro*	*t Stat*
Intercept	4029496.91	801760.5	5.025811
Bus Disp Orders	-427.862921	160.7829	-2.66112
Bus NonDisp Orders	-77.5131614	30.07363	-2.57745

Qwest Arizona
Basic Local Service Revenue
5001.22 - Residence NonRecurring

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(1,231,862)
Multiplier	12
Annual Amount	(14,782,339)
Actual 2003 Revenue	(17,524,200)
Revenue Increase (Decrease)	**(2,741,861)**

Regression Results

R Square	**0.5747**
Independent Variable T-Scores	
Consumer Access Lines	(6.78)

Year	Amount
2001	(26,847,125)
2002	(23,004,502)
2003	(17,524,200)

Period	Actual Revenue	Consumer	Fitted Revenue	
200101	(2,405,868)	2,101,240	*(2,222,250)*	8%
200102	(2,577,250)	2,106,816	*(2,234,264)*	13%
200103	(2,247,386)	2,105,393	*(2,231,198)*	1%
200104	(2,588,768)	2,090,691	*(2,199,522)*	15%
200105	(2,316,011)	2,083,286	*(2,183,568)*	6%
200106	(2,313,355)	2,074,558	*(2,164,763)*	6%
200107	(1,974,605)	2,070,980	*(2,157,054)*	-9%
200108	(2,204,229)	2,068,079	*(2,150,804)*	2%
200109	(1,864,586)	2,063,616	*(2,141,188)*	-15%
200110	(2,190,375)	2,057,365	*(2,127,720)*	3%
200111	(2,188,121)	2,051,651	*(2,115,409)*	3%
200112	(1,976,572)	2,040,160	*(2,090,652)*	-6%
200201	(1,617,064)	2,033,390	*(2,076,065)*	-28%
200202	(1,890,539)	2,023,400	*(2,054,542)*	-9%
200203	(1,796,830)	2,007,850	*(2,021,039)*	-12%
200204	(1,976,933)	1,984,880	*(1,971,549)*	0%
200205	(2,327,131)	1,968,596	*(1,936,465)*	17%
200206	(1,793,800)	1,952,745	*(1,902,313)*	-6%
200207	(1,880,238)	1,948,478	*(1,893,120)*	-1%
200208	(1,962,358)	1,931,229	*(1,855,956)*	5%
200209	(2,176,492)	1,920,022	*(1,831,810)*	16%
200210	(1,702,078)	1,911,789	*(1,814,072)*	-7%
200211	(1,850,233)	1,906,709	*(1,803,127)*	3%
200212	(2,030,806)	1,898,304	*(1,785,018)*	12%
200301	(1,130,407)	1,893,778	*(1,775,267)*	-57%
200302	(1,316,532)	1,886,005	*(1,758,520)*	-34%
200303	(1,363,831)	1,870,719	*(1,725,586)*	-27%
200304	(1,721,466)	1,840,399	*(1,660,260)*	4%
200305	(1,826,353)	1,820,715	*(1,617,850)*	11%
200306	(1,475,887)	1,799,333	*(1,571,782)*	-6%
200307	(1,342,504)	1,782,036	*(1,534,515)*	-14%
200308	(1,472,062)	1,754,932	*(1,476,119)*	0%
200309	(1,501,796)	1,729,557	*(1,421,447)*	5%
200310	(1,393,777)	1,699,145	*(1,355,924)*	3%
200311	(1,731,975)	1,665,403	*(1,283,226)*	26%
200312	(1,247,611)	1,641,563	*(1,231,862)*	1%

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.758118
R Square	0.574743
Adjusted R Squ	0.562235
Standard Error	253228.7
Observations	36

ANOVA

	df	*SS*
Regression	1	2.95E+12
Residual	34	2.18E+12
Total	35	5.13E+12

	Coefficients	*andard Erro*
Intercept	2304938	617557.5
Consumer	-2.154532	0.317836

Qwest Arizona
Intrastate
Intrastate Long Distance Revenue Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Pro Forma Value	(E) Increase (Decrease)
1	5100.21 - Long Distance Message Revenue - Business	Period Number	**0.4295**	**5.06**	(2,395)	(2,261)	
2	5100.22 - Long Distance Message Revenue - Residence	Consumer Lines	**0.7218**	**9.39**	(3,417)	(1,929)	(1,488)
3	5100.23, .24, .26 & .29 - Long Distance Message Revenue - Other	Period Number	**0.5234**	**6.11**	(2,014)	(1,644)	(370)
4	5100.41 - Toll Calling Revenue - Business	Period Number	**0.0535**	**1.39**	(525)	(540)	
5	5100.42 - Toll Calling Revenue - Residence	Period Number	**0.7929**	**11.41**	(1,455)	(736)	(719)
6	5111.2, .4 & .52 - Long Distance Inward Only	Period Number	**0.0703**	**1.60**	(745)	(734)	
7	5112.2, .4, .5 & .62 - Long Distance Outward Only	Period Number	**0.3883**	**4.65**	(561)	(208)	
8	**Total State Access Revenue**				**(5,812)**	**(4,191)**	**(1,488)**

Qwest Arizona
State Long Distance Revenue
5100.21 - Long Distance Message Revenue - Business

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(188,457)
Multiplier	12
Annual Amount	(2,261,484)
Actual 2003 Revenue	(2,394,840)
Revenue Increase (Decrease)	**(133,357)**

Regression Results

R Square	**0.4295**
Independent Variable T-Scores	
Period Number	5.06

Year	Amount
2001	(3,137,523)
2002	(2,808,095)
2003	(2,394,840)

Period	Actual Revenue	Period Number	Fitted Revenue	Difference
200101	(300,091)	1	*(274,902)*	*(25,189)*
200102	(233,127)	2	*(272,432)*	*39,305*
200103	(196,895)	3	*(269,962)*	*73,067*
200104	(227,448)	4	*(267,492)*	*40,044*
200105	(254,387)	5	*(265,022)*	*10,635*
200106	(292,240)	6	*(262,553)*	*(29,687)*
200107	(297,868)	7	*(260,083)*	*(37,786)*
200108	(283,725)	8	*(257,613)*	*(26,112)*
200109	(232,993)	9	*(255,143)*	*22,150*
200110	(275,289)	10	*(252,673)*	*(22,615)*
200111	(295,205)	11	*(250,203)*	*(45,002)*
200112	(248,256)	12	*(247,733)*	*(522)*
200201	(256,759)	13	*(245,264)*	*(11,495)*
200202	(232,468)	14	*(242,794)*	*10,326*
200203	(254,850)	15	*(240,324)*	*(14,527)*
200204	(244,535)	16	*(237,854)*	*(6,681)*
200205	(267,137)	17	*(235,384)*	*(31,753)*
200206	(242,275)	18	*(232,914)*	*(9,361)*
200207	(253,367)	19	*(230,444)*	*(22,922)*
200208	(227,706)	20	*(227,975)*	*269*
200209	(244,583)	21	*(225,505)*	*(19,078)*
200210	(247,239)	22	*(223,035)*	*(24,204)*
200211	(161,383)	23	*(220,565)*	*59,182*
200212	(175,791)	24	*(218,095)*	*42,304*
200301	(194,302)	25	*(215,625)*	*21,323*
200302	(206,400)	26	*(213,156)*	*6,756*
200303	(211,220)	27	*(210,686)*	*(535)*
200304	(163,354)	28	*(208,216)*	*44,861*
200305	(223,131)	29	*(205,746)*	*(17,385)*
200306	(181,264)	30	*(203,276)*	*22,012*
200307	(247,782)	31	*(200,806)*	*(46,976)*
200308	(203,268)	32	*(198,336)*	*(4,931)*
200309	(207,541)	33	*(195,867)*	*(11,675)*
200310	(196,223)	34	*(193,397)*	*(2,827)*
200311	(213,103)	35	*(190,927)*	*(22,176)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.655382
R Square	**0.429525**
Adjusted R Squa	0.412747
Standard Error	30426.42
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	2.37E+10	2.37E+10
Residual	34	3.15E+10	9.26E+08
Total	35	5.52E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-277372	10357.19	-26.7806
Period Number	2469.853	488.1523	**5.059594**

Qwest Arizona
State Long Distance Revenue
5100.22 - Long Distance Message Revenue - Residence

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(160,758)
Multiplier	12
Annual Amount	(1,929,090)
Actual 2003 Revenue	(3,417,019)
Revenue Increase (Decrease)	**(1,487,928)**

Regression Results

R Square	**0.7218**
Independent Variable T-Scores	
Consumer Lines	(9.39)

Year	Amount
2001	(7,004,040)
2002	(4,684,956)
2003	(3,417,019)

Period	Actual Revenue	Consumer	Fitted Revenue	Difference
200101	(548,995)	2,101,240	*(561,524)*	*12,529*
200102	(462,032)	2,106,816	*(566,386)*	*104,354*
200103	(671,257)	2,105,393	*(565,145)*	*(106,112)*
200104	(574,126)	2,090,691	*(552,327)*	*(21,799)*
200105	(600,389)	2,083,286	*(545,871)*	*(54,518)*
200106	(599,456)	2,074,558	*(538,262)*	*(61,194)*
200107	(769,926)	2,070,980	*(535,142)*	*(234,784)*
200108	(612,752)	2,068,079	*(532,613)*	*(80,139)*
200109	(579,547)	2,063,616	*(528,722)*	*(50,825)*
200110	(601,691)	2,057,365	*(523,272)*	*(78,419)*
200111	(475,098)	2,051,651	*(518,290)*	*43,192*
200112	(508,770)	2,040,160	*(508,272)*	*(498)*
200201	(439,299)	2,033,390	*(502,370)*	*63,071*
200202	(356,168)	2,023,400	*(493,660)*	*137,491*
200203	(410,882)	2,007,850	*(480,103)*	*69,221*
200204	(411,176)	1,984,880	*(460,076)*	*48,900*
200205	(387,793)	1,968,596	*(445,879)*	*58,086*
200206	(447,216)	1,952,745	*(432,060)*	*(15,156)*
200207	(461,359)	1,948,478	*(428,340)*	*(33,019)*
200208	(395,327)	1,931,229	*(413,301)*	*17,974*
200209	(361,876)	1,920,022	*(403,530)*	*41,655*
200210	(356,020)	1,911,789	*(396,352)*	*40,332*
200211	(308,776)	1,906,709	*(391,923)*	*83,148*
200212	(349,065)	1,898,304	*(384,596)*	*35,531*
200301	(346,746)	1,893,778	*(380,650)*	*33,904*
200302	(250,943)	1,886,005	*(373,873)*	*122,930*
200303	(316,458)	1,870,719	*(360,546)*	*44,088*
200304	(273,218)	1,840,399	*(334,112)*	*60,894*
200305	(298,362)	1,820,715	*(316,950)*	*18,588*
200306	(307,577)	1,799,333	*(298,308)*	*(9,268)*
200307	(325,920)	1,782,036	*(283,228)*	*(42,692)*
200308	(311,878)	1,754,932	*(259,598)*	*(52,280)*
200309	(276,605)	1,729,557	*(237,475)*	*(39,131)*
200310	(238,919)	1,699,145	*(210,960)*	*(27,959)*
200311	(234,156)	1,665,403	*(181,542)*	*(52,614)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.849605
R Square	**0.721829**
Adjusted R Squa	0.713648
Standard Error	73951.75
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	4.83E+11	**4.83E+11**
Residual	34	1.86E+11	5.47E+09
Total	35	6.68E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	1270430	180348.7	7.044296
Consumer	-0.87184	0.092819	**-9.39292**

Qwest Arizona
State Long Distance Revenue
5100.23, .24, .26 & .29 - Long Distance Message Revenue - Other

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(137,011)
Multiplier	12
Annual Amount	(1,644,131)
Actual 2003 Revenue	(2,014,132)
Revenue Increase (Decrease)	**(370,001)**

Regression Results

R Square	**0.5234**
Independent Variable T-Scores	
Consumer Lines	(6.11)

Year	Amount
2001	(3,385,450)
2002	(2,499,221)
2003	(2,014,132)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(172,556)	3,029,958	*(278,556)*	*106,000*
200102	(346,954)	3,039,202	*(281,890)*	*(65,064)*
200103	(234,804)	3,038,499	*(281,636)*	*46,833*
200104	(302,138)	3,030,122	*(278,615)*	*(23,523)*
200105	(274,608)	3,022,840	*(275,989)*	*1,381*
200106	(256,268)	3,016,577	*(273,731)*	*17,462*
200107	(340,448)	3,012,510	*(272,264)*	*(68,184)*
200108	(209,646)	3,005,180	*(269,621)*	*59,975*
200109	(337,618)	3,000,467	*(267,921)*	*(69,697)*
200110	(329,602)	2,990,027	*(264,156)*	*(65,446)*
200111	(236,166)	2,983,302	*(261,731)*	*25,565*
200112	(344,642)	2,970,338	*(257,056)*	*(87,586)*
200201	(238,677)	2,937,951	*(245,376)*	*6,699*
200202	(204,537)	2,928,936	*(242,125)*	*37,588*
200203	(211,536)	2,909,579	*(235,144)*	*23,608*
200204	(213,757)	2,883,093	*(225,593)*	*11,836*
200205	(245,405)	2,867,602	*(220,006)*	*(25,399)*
200206	(234,286)	2,853,291	*(214,845)*	*(19,440)*
200207	(250,694)	2,849,607	*(213,517)*	*(37,178)*
200208	(230,912)	2,833,160	*(207,585)*	*(23,326)*
200209	(189,437)	2,829,651	*(206,320)*	*16,883*
200210	(199,720)	2,821,301	*(203,309)*	*3,589*
200211	(165,662)	2,818,958	*(202,464)*	*36,801*
200212	(114,597)	2,827,838	*(205,666)*	*91,070*
200301	(183,348)	2,822,214	*(203,638)*	*20,290*
200302	(166,020)	2,814,629	*(200,903)*	*34,882*
200303	(176,567)	2,800,877	*(195,943)*	*19,377*
200304	(214,867)	2,771,726	*(185,431)*	*(29,437)*
200305	(118,482)	2,751,001	*(177,957)*	*59,475*
200306	(159,635)	2,708,913	*(162,779)*	*3,144*
200307	(188,615)	2,697,078	*(158,510)*	*(30,104)*
200308	(174,804)	2,683,499	*(153,614)*	*(21,190)*
200309	(168,078)	2,673,282	*(149,929)*	*(18,149)*
200310	(157,606)	2,663,712	*(146,478)*	*(11,129)*
200311	(148,958)	2,649,895	*(141,495)*	*(7,463)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.723483
R Square	**0.523427**
Adjusted R Squa	0.50941
Standard Error	44712.32
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	7.47E+10	7.47E+10
Residual	34	6.8E+10	2E+09
Total	35	1.43E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	814130.9	169295.8	4.808925
EOP Acc Lines	-0.36063	0.059014	**-6.11087**

Qwest Arizona
State Long Distance Revenue
5100.41 - Toll Calling Revenue - Business

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(44,986)
Multiplier	12
Annual Amount	(539,828)
Actual 2003 Revenue	(524,557)
Revenue Increase (Decrease)	**15,270**

Regression Results

R Square	**0.0535**
Independent Variable T-Scores	
Business Lines	1.39

Year	Amount
2001	(1,003,421)
2002	(713,367)
2003	(524,557)

Period	Actual Revenue	Business	Fitted Revenue	Difference
200101	(87,352)	928,718	*(63,634)*	*(23,718)*
200102	(125,555)	932,386	*(62,616)*	*(62,939)*
200103	(107,403)	933,106	*(62,416)*	*(44,987)*
200104	(85,911)	939,431	*(60,660)*	*(25,251)*
200105	(88,959)	939,554	*(60,626)*	*(28,333)*
200106	(81,531)	942,019	*(59,942)*	*(21,589)*
200107	(87,136)	941,530	*(60,078)*	*(27,058)*
200108	(70,594)	937,101	*(61,307)*	*(9,287)*
200109	(67,654)	936,851	*(61,376)*	*(6,278)*
200110	(72,711)	932,662	*(62,539)*	*(10,171)*
200111	(66,882)	931,651	*(62,820)*	*(4,062)*
200112	(61,733)	930,178	*(63,229)*	*1,496*
200201	(63,737)	929,517	*(63,412)*	*(324)*
200202	(65,500)	929,013	*(63,552)*	*(1,948)*
200203	(65,309)	922,406	*(65,386)*	*77*
200204	(65,158)	917,547	*(66,735)*	*1,577*
200205	(66,354)	918,022	*(66,603)*	*249*
200206	(58,102)	919,431	*(66,212)*	*8,110*
200207	(60,478)	926,484	*(64,254)*	*3,777*
200208	(57,662)	920,339	*(65,960)*	*8,298*
200209	(58,917)	927,492	*(63,974)*	*5,057*
200210	(52,482)	927,035	*(64,101)*	*11,619*
200211	(50,833)	929,389	*(63,448)*	*12,615*
200212	(48,836)	929,534	*(63,408)*	*14,572*
200301	(44,035)	928,436	*(63,712)*	*19,677*
200302	(47,827)	928,624	*(63,660)*	*15,833*
200303	(49,817)	930,158	*(63,234)*	*13,417*
200304	(48,721)	931,327	*(62,910)*	*14,189*
200305	(49,320)	930,286	*(63,199)*	*13,879*
200306	(49,381)	909,580	*(68,947)*	*19,566*
200307	(50,674)	915,042	*(67,430)*	*16,757*
200308	(43,058)	928,567	*(63,676)*	*20,618*
200309	(36,679)	943,725	*(59,468)*	*22,790*
200310	(42,682)	964,567	*(53,683)*	*11,001*
200311	(24,539)	984,492	*(48,152)*	*23,613*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.231334
R Square	**0.053516**
Adjusted R Squa	0.025678
Standard Error	20052.41
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	7.73E+08	7.73E+08
Residual	34	1.37E+10	4.02E+08
Total	35	1.44E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-321435	186956.7	-1.7193
Business	0.277589	0.200207	**1.38651**

Qwest Arizona
State Long Distance Revenue
5100.42 - Toll Calling Revenue - Residence

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(61,312)
Multiplier	12
Annual Amount	(735,746)
Actual 2003 Revenue	(1,454,797)
Revenue Increase (Decrease)	**(719,052)**

Regression Results

R Square	**0.7929**
Independent Variable T-Scores	
Consumer Lines	(11.41)

Year	Amount
2001	(3,121,285)
2002	(2,172,416)
2003	(1,454,797)

Period	Actual Revenue	Consumer Excluding Public	Fitted Revenue	Difference
200101	(265,985)	2,072,362	*(258,757)*	*(7,228)*
200102	(369,614)	2,078,091	*(261,291)*	*(108,323)*
200103	(249,604)	2,076,860	*(260,747)*	*11,143*
200104	(227,125)	2,062,452	*(254,373)*	*27,248*
200105	(258,887)	2,055,157	*(251,145)*	*(7,742)*
200106	(223,793)	2,046,671	*(247,391)*	*23,598*
200107	(277,611)	2,043,311	*(245,904)*	*(31,706)*
200108	(262,648)	2,040,645	*(244,725)*	*(17,923)*
200109	(263,824)	2,036,205	*(242,761)*	*(21,063)*
200110	(273,073)	2,030,098	*(240,059)*	*(33,014)*
200111	(204,278)	2,024,819	*(237,724)*	*33,445*
200112	(244,843)	2,013,645	*(232,780)*	*(12,063)*
200201	(222,989)	1,983,478	*(219,434)*	*(3,555)*
200202	(172,023)	1,976,446	*(216,323)*	*44,300*
200203	(196,099)	1,966,496	*(211,921)*	*15,822*
200204	(193,053)	1,946,212	*(202,947)*	*9,894*
200205	(196,040)	1,930,564	*(196,025)*	*(16)*
200206	(195,452)	1,914,975	*(189,128)*	*(6,324)*
200207	(199,136)	1,904,393	*(184,446)*	*(14,690)*
200208	(166,972)	1,894,413	*(180,031)*	*13,059*
200209	(173,797)	1,884,296	*(175,555)*	*1,758*
200210	(157,209)	1,876,743	*(172,214)*	*15,005*
200211	(143,866)	1,872,429	*(170,305)*	*26,440*
200212	(155,780)	1,881,397	*(174,273)*	*18,493*
200301	(154,596)	1,876,960	*(172,310)*	*17,714*
200302	(109,864)	1,869,339	*(168,938)*	*59,074*
200303	(140,157)	1,854,209	*(162,245)*	*22,088*
200304	(122,083)	1,824,114	*(148,931)*	*26,848*
200305	(129,933)	1,804,582	*(140,289)*	*10,357*
200306	(124,210)	1,783,385	*(130,912)*	*6,701*
200307	(131,962)	1,766,166	*(123,294)*	*(8,668)*
200308	(122,511)	1,739,162	*(111,347)*	*(11,164)*
200309	(113,626)	1,713,806	*(100,130)*	*(13,497)*
200310	(103,502)	1,683,456	*(86,703)*	*(16,800)*
200311	(98,763)	1,649,834	*(71,828)*	*(26,935)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.890433
R Square	**0.79287**
Adjusted R Squa	0.786778
Standard Error	29582.42
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.14E+11	1.14E+11
Residual	34	2.98E+10	8.75E+08
Total	35	1.44E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	658067.4	74279.06	8.859393
Consumer Exclud	-0.44241	0.038779	**-11.4083**

Qwest Arizona
State Long Distance Revenue
5111.2, .4 & .52 - Long Distance Inward Only

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(61,158)
Multiplier	12
Annual Amount	(733,901)
Actual 2003 Revenue	(745,362)
Revenue Increase (Decrease)	**(11,462)**

Regression Results

R Square	**0.0703**
Independent Variable T-Scores	
Total Access Lines	(1.60)

Year	Amount
2001	(782,421)
2002	(853,456)
2003	(745,362)

Period	Actual Revenue	Total Lines	Fitted Revenue	Difference
200101	(67,684)	3,029,958	*(69,725)*	*2,041*
200102	(98,195)	3,039,202	*(69,927)*	*(28,268)*
200103	(64,418)	3,038,499	*(69,912)*	*5,494*
200104	(42,862)	3,030,122	*(69,729)*	*26,866*
200105	(63,319)	3,022,840	*(69,570)*	*6,251*
200106	(53,946)	3,016,577	*(69,433)*	*15,487*
200107	(69,810)	3,012,510	*(69,344)*	*(466)*
200108	(67,183)	3,005,180	*(69,184)*	*2,001*
200109	(65,388)	3,000,467	*(69,081)*	*3,694*
200110	(66,270)	2,990,027	*(68,854)*	*2,584*
200111	(65,078)	2,983,302	*(68,707)*	*3,629*
200112	(58,268)	2,970,338	*(68,424)*	*10,156*
200201	(85,193)	2,937,951	*(67,717)*	*(17,476)*
200202	(78,195)	2,928,936	*(67,520)*	*(10,674)*
200203	(64,744)	2,909,579	*(67,098)*	*2,354*
200204	(69,514)	2,883,093	*(66,520)*	*(2,995)*
200205	(71,012)	2,867,602	*(66,182)*	*(4,830)*
200206	(64,996)	2,853,291	*(65,869)*	*873*
200207	(68,188)	2,849,607	*(65,789)*	*(2,399)*
200208	(65,871)	2,833,160	*(65,430)*	*(441)*
200209	(77,110)	2,829,651	*(65,353)*	*(11,757)*
200210	(72,107)	2,821,301	*(65,171)*	*(6,936)*
200211	(71,646)	2,818,958	*(65,120)*	*(6,526)*
200212	(64,881)	2,827,838	*(65,314)*	*433*
200301	(83,502)	2,822,214	*(65,191)*	*(18,312)*
200302	(71,480)	2,814,629	*(65,025)*	*(6,455)*
200303	(58,171)	2,800,877	*(64,725)*	*6,554*
200304	(75,162)	2,771,726	*(64,089)*	*(11,073)*
200305	(56,122)	2,751,001	*(63,637)*	*7,515*
200306	(62,427)	2,708,913	*(62,718)*	*291*
200307	(66,300)	2,697,078	*(62,460)*	*(3,841)*
200308	(58,293)	2,683,499	*(62,163)*	*3,870*
200309	(49,383)	2,673,282	*(61,940)*	*12,557*
200310	(50,891)	2,663,712	*(61,731)*	*10,841*
200311	(55,704)	2,649,895	*(61,430)*	*5,725*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.265183
R Square	**0.070322**
Adjusted R Squa	0.042978
Standard Error	10311.79
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	2.73E+08	2.73E+08
Residual	34	3.62E+09	1.06E+08
Total	35	3.89E+09	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-3592.25	39043.87	-0.09201
Consumer Exclud	-0.02183	0.01361	**-1.60368**

Qwest Arizona
State Long Distance Revenue
5111.2, .4 & .52 - Long Distance Inward Only

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(17,326)
Multiplier	12
Annual Amount	(207,906)
Actual 2003 Revenue	(560,748)
Revenue Increase (Decrease)	**(352,842)**

Regression Results

R Square	**0.3883**
Independent Variable T-Scores	
Total Access Lines	(4.65)

Year	Amount
2001	(1,379,816)
2002	(612,557)
2003	(560,748)

Period	Actual Revenue	Total Access Lines	Fitted Revenue	Difference
200101	(158,380)	3,029,958	*(109,389)*	*(48,991)*
200102	(222,656)	3,039,202	*(111,557)*	*(111,099)*
200103	(167,637)	3,038,499	*(111,392)*	*(56,245)*
200104	(160,307)	3,030,122	*(109,427)*	*(50,880)*
200105	(134,029)	3,022,840	*(107,719)*	*(26,310)*
200106	(144,206)	3,016,577	*(106,250)*	*(37,956)*
200107	(158,646)	3,012,510	*(105,296)*	*(53,349)*
200108	(68,725)	3,005,180	*(103,577)*	*34,852*
200109	(21,162)	3,000,467	*(102,472)*	*81,310*
200110	(39,610)	2,990,027	*(100,023)*	*60,413*
200111	(53,087)	2,983,302	*(98,445)*	*45,359*
200112	(51,370)	2,970,338	*(95,405)*	*44,035*
200201	(49,930)	2,937,951	*(87,808)*	*37,878*
200202	(55,896)	2,928,936	*(85,693)*	*29,797*
200203	(50,851)	2,909,579	*(81,153)*	*30,302*
200204	(48,824)	2,883,093	*(74,941)*	*26,117*
200205	(56,840)	2,867,602	*(71,307)*	*14,467*
200206	(52,842)	2,853,291	*(67,950)*	*15,108*
200207	(53,731)	2,849,607	*(67,086)*	*13,355*
200208	(50,622)	2,833,160	*(63,228)*	*12,606*
200209	(52,727)	2,829,651	*(62,405)*	*9,678*
200210	(49,200)	2,821,301	*(60,447)*	*11,247*
200211	(50,271)	2,818,958	*(59,897)*	*9,626*
200212	(40,825)	2,827,838	*(61,980)*	*21,155*
200301	(45,555)	2,822,214	*(60,661)*	*15,106*
200302	(46,838)	2,814,629	*(58,882)*	*12,044*
200303	(48,829)	2,800,877	*(55,656)*	*6,828*
200304	(49,906)	2,771,726	*(48,818)*	*(1,087)*
200305	(51,587)	2,751,001	*(43,957)*	*(7,629)*
200306	(43,053)	2,708,913	*(34,085)*	*(8,968)*
200307	(50,808)	2,697,078	*(31,309)*	*(19,498)*
200308	(48,551)	2,683,499	*(28,124)*	*(20,427)*
200309	(48,096)	2,673,282	*(25,728)*	*(22,369)*
200310	(44,009)	2,663,712	*(23,483)*	*(20,526)*
200311	(44,973)	2,649,895	*(20,242)*	*(24,731)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.623165
R Square	**0.388334**
Adjusted R Squa	0.370344
Standard Error	38250.48
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	3.16E+10	3.16E+10
Residual	34	4.97E+10	1.46E+09
Total	35	8.13E+10	

	Coefficients	*andard Erro*	*t Stat*
Intercept	601313.2	144829.1	4.15188
Total Access Line	-0.23456	0.050485	**-4.64606**

Qwest Arizona
Intrastate
Directory Assistance Revenue Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Pro Forma Value	(E) Increase (Decrease)
1	5060.31 - Directory Assistance Revenue - Business	Bus Lines	**0.1002**	**1.92**	(5,403)	(5,390)	
2	5060.32 - Directory Assistance Revenue - Residence	Res Lines	**0.1914**	**2.84**	(9,493)	(8,667)	
3	5060.33 - Directory Assistance Revenue - Public	Pub Lines	**0.5773**	**6.81**	(91)	(91)	()
4	5060.34 - Directory Assistance Revenue - Resale	Period Number	**0.4998**	**5.83**	(137)	(107)	(30)
5	5060.39 - Directory Assistance Revenue - Other	Period Number	**0.0567**	**1.43**	(354)	(382)	
6	**Total State Access Revenue**				**(15,478)**	**(14,636)**	**(31)**

Qwest Arizona
State Access Revenue
5060.39 - Directory Assistance Revenue - Other

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(31,814)
Multiplier	12
Annual Amount	(381,766)
Actual 2003 Revenue	(354,391)
Revenue Increase (Decrease)	**27,376**

Regression Results

R Square	**0.0567**
Independent Variable T-Scores	
Period Number	1.43

Year	Amount
2001	(468,693)
2002	(526,257)
2003	(354,391)

Period	Actual Revenue	Period Number	Fitted Revenue
200101	(31,301)	1	*(43,149)*
200102	(30,610)	2	*(42,826)*
200103	(58,706)	3	*(42,502)*
200104	(36,973)	4	*(42,178)*
200105	(34,125)	5	*(41,854)*
200106	(9,873)	6	*(41,530)*
200107	(64,085)	7	*(41,206)*
200108	(31,617)	8	*(40,882)*
200109	(56,374)	9	*(40,558)*
200110	(39,928)	10	*(40,235)*
200111	(44,838)	11	*(39,911)*
200112	(30,263)	12	*(39,587)*
200201	(40,976)	13	*(39,263)*
200202	(36,459)	14	*(38,939)*
200203	(36,249)	15	*(38,615)*
200204	(23,595)	16	*(38,291)*
200205	(55,289)	17	*(37,967)*
200206	(43,007)	18	*(37,644)*
200207	(37,224)	19	*(37,320)*
200208	(37,053)	20	*(36,996)*
200209	(21,521)	21	*(36,672)*
200210	(64,962)	22	*(36,348)*
200211	(64,926)	23	*(36,024)*
200212	(64,998)	24	*(35,700)*
200301	(40,053)	25	*(35,376)*
200302	(51,354)	26	*(35,053)*
200303	(35,304)	27	*(34,729)*
200304	(27,758)	28	*(34,405)*
200305	(25,813)	29	*(34,081)*
200306	(27,696)	30	*(33,757)*
200307	(26,553)	31	*(33,433)*
200308	(23,951)	32	*(33,109)*
200309	(27,796)	33	*(32,785)*
200310	(25,670)	34	*(32,462)*
200311	(21,420)	35	*(32,138)*
200312	(21,022)	36	*(31,814)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.238045
R Square	**0.056665**
Adjusted R Squa	0.02892
Standard Error	14125.63
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	4.08E+08	4.08E+08
Residual	34	6.78E+09	2E+08
Total	35	7.19E+09	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-43473.4	4808.382	-9.04116
Period Number	323.8751	226.6273	**1.429109**

Qwest Arizona
State Access Revenue
5060.34 - Directory Assistance Revenue - Resale

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(8,914)
Multiplier	12
Annual Amount	(106,965)
Actual 2003 Revenue	(137,244)
Revenue Increase (Decrease)	**(30,279)**

Regression Results

R Square	**0.4998**
Independent Variable T-Scores	
Period Number	5.83

Year	Amount
2001	(463,060)
2002	(361,617)
2003	(137,244)

Period	Actual Revenue	Period Number	Fitted Revenue
200101	(30,879)	1	*(44,526)*
200102	(5,870)	2	*(43,509)*
200103	(31,667)	3	*(42,491)*
200104	(36,017)	4	*(41,474)*
200105	(30,555)	5	*(40,456)*
200106	(49,187)	6	*(39,439)*
200107	(58,835)	7	*(38,421)*
200108	(68,426)	8	*(37,404)*
200109	(40,730)	9	*(36,386)*
200110	(43,273)	10	*(35,369)*
200111	(37,898)	11	*(34,351)*
200112	(29,723)	12	*(33,334)*
200201	(30,291)	13	*(32,316)*
200202	(33,202)	14	*(31,299)*
200203	(26,372)	15	*(30,281)*
200204	(27,478)	16	*(29,264)*
200205	(38,795)	17	*(28,246)*
200206	(30,247)	18	*(27,229)*
200207	(32,197)	19	*(26,211)*
200208	(31,577)	20	*(25,194)*
200209	(34,978)	21	*(24,176)*
200210	(29,337)	22	*(23,159)*
200211	(27,371)	23	*(22,141)*
200212	(19,771)	24	*(21,124)*
200301	(19,364)	25	*(20,106)*
200302	(22,034)	26	*(19,089)*
200303	(17,132)	27	*(18,071)*
200304	(12,415)	28	*(17,054)*
200305	(15,157)	29	*(16,036)*
200306	(11,656)	30	*(15,019)*
200307	(10,296)	31	*(14,001)*
200308	(8,356)	32	*(12,984)*
200309	(7,566)	33	*(11,966)*
200310	(5,023)	34	*(10,949)*
200311	(4,499)	35	*(9,931)*
200312	(3,747)	36	*(8,914)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.70695
R Square	**0.499778**
Adjusted R Squa	0.485066
Standard Error	10881.37
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	4.02E+09	4.02E+09
Residual	34	4.03E+09	1.18E+08
Total	35	8.05E+09	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-45543.8	3704.031	-12.2957
Period Number	1017.501	174.5774	**5.828369**

Qwest Arizona
State Access Revenue
5060.33 - Directory Assistance Revenue - Public

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(7,550)
Multiplier	12
Annual Amount	(90,602)
Actual 2003 Revenue	(91,095)
Revenue Increase (Decrease)	**(493)**

Regression Results

R Square	**0.5773**
Independent Variable T-Scores	
Public Lines	(6.81)
	0.00

Year	Amount
2001	(133,244)
2002	(107,872)
2003	(91,095)

Period	Actual Revenue	Public	Fitted Revenue
200101	(11,112)	28,878	*(11,571)*
200102	(9,650)	28,725	*(11,525)*
200103	(10,369)	28,533	*(11,468)*
200104	(9,533)	28,239	*(11,379)*
200105	(9,253)	28,129	*(11,346)*
200106	(12,028)	27,887	*(11,273)*
200107	(10,472)	27,669	*(11,208)*
200108	(15,012)	27,434	*(11,137)*
200109	(12,133)	27,411	*(11,130)*
200110	(10,851)	27,267	*(11,087)*
200111	(12,227)	26,832	*(10,956)*
200112	(10,602)	26,515	*(10,861)*
200201	(10,820)	24,956	*(10,392)*
200202	(10,744)	23,477	*(9,948)*
200203	(10,116)	20,677	*(9,106)*
200204	(11,371)	19,334	*(8,703)*
200205	(10,877)	19,016	*(8,607)*
200206	(9,649)	18,885	*(8,568)*
200207	(7,835)	18,730	*(8,521)*
200208	(7,882)	18,408	*(8,424)*
200209	(6,125)	17,863	*(8,261)*
200210	(6,833)	17,523	*(8,159)*
200211	(7,734)	17,140	*(8,043)*
200212	(7,883)	16,907	*(7,973)*
200301	(9,378)	16,818	*(7,947)*
200302	(8,343)	16,666	*(7,901)*
200303	(8,118)	16,510	*(7,854)*
200304	(8,645)	16,285	*(7,786)*
200305	(8,057)	16,133	*(7,741)*
200306	(6,830)	15,948	*(7,685)*
200307	(6,252)	15,870	*(7,662)*
200308	(8,231)	15,770	*(7,632)*
200309	(6,973)	15,751	*(7,626)*
200310	(7,113)	15,689	*(7,607)*
200311	(6,967)	15,569	*(7,571)*
200312	(6,187)	15,499	*(7,550)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.759784
R Square	**0.577272**
Adjusted R Squa	0.564839
Standard Error	1363.181
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	86279101	86279101
Residual	34	63180941	1858263
Total	35	1.49E+08	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-2892	957.2211	-3.02125
Public	-0.30055	0.044108	**-6.81395**

Qwest Arizona
State Access Revenue
5060.32 - Directory Assistance Revenue - Residence

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(722,246)
Multiplier	12
Annual Amount	(8,666,955)
Actual 2003 Revenue	(9,492,619)
Revenue Increase (Decrease)	**(825,663)**

Regression Results

R Square	**0.1914**
Independent Variable T-Scores	
Consumer Lines	(2.84)

Year	Amount
2001	(11,900,675)
2002	(12,212,124)
2003	(9,492,619)

Period	Actual Revenue	Consumer Excluding Public	Fitted Revenue
200101	(788,165)	2,072,362	*(1,052,876)*
200102	(615,517)	2,078,091	*(1,057,121)*
200103	(757,715)	2,076,860	*(1,056,209)*
200104	(757,311)	2,062,452	*(1,045,535)*
200105	(770,378)	2,055,157	*(1,040,131)*
200106	(1,465,516)	2,046,671	*(1,033,844)*
200107	(1,280,421)	2,043,311	*(1,031,355)*
200108	(1,363,295)	2,040,645	*(1,029,380)*
200109	(919,760)	2,036,205	*(1,026,090)*
200110	(1,326,508)	2,030,098	*(1,021,566)*
200111	(890,911)	2,024,819	*(1,017,655)*
200112	(965,176)	2,013,645	*(1,009,377)*
200201	(1,104,857)	1,983,478	*(987,029)*
200202	(949,509)	1,976,446	*(981,819)*
200203	(906,606)	1,966,496	*(974,448)*
200204	(1,063,638)	1,946,212	*(959,421)*
200205	(1,319,588)	1,930,564	*(947,828)*
200206	(1,125,577)	1,914,975	*(936,280)*
200207	(1,147,049)	1,904,393	*(928,440)*
200208	(1,051,790)	1,894,413	*(921,047)*
200209	(984,153)	1,884,296	*(913,552)*
200210	(872,917)	1,876,743	*(907,956)*
200211	(811,450)	1,872,429	*(904,760)*
200212	(874,991)	1,881,397	*(911,404)*
200301	(1,000,919)	1,876,960	*(908,117)*
200302	(854,936)	1,869,339	*(902,471)*
200303	(822,297)	1,854,209	*(891,263)*
200304	(834,313)	1,824,114	*(868,967)*
200305	(851,695)	1,804,582	*(854,497)*
200306	(848,898)	1,783,385	*(838,794)*
200307	(753,314)	1,766,166	*(826,038)*
200308	(842,420)	1,739,162	*(806,032)*
200309	(823,884)	1,713,806	*(787,248)*
200310	(617,630)	1,683,456	*(764,764)*
200311	(615,480)	1,649,834	*(739,856)*
200312	(626,834)	1,626,064	*(722,246)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.437541
R Square	**0.191442**
Adjusted R Squa	0.167661
Standard Error	199181.1
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	3.19E+11	3.19E+11
Residual	34	1.35E+12	3.97E+10
Total	35	1.67E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	482387.9	500127.4	0.96453
Consumer Exclud	-0.74083	0.261105	**-2.83728**

Qwest Arizona
State Access Revenue
5060.31 - Directory Assistance Revenue - Business

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(449,141)
Multiplier	12
Annual Amount	(5,389,686)
Actual 2003 Revenue	(5,402,906)
Revenue Increase (Decrease)	**(13,220)**

Regression Results

R Square	**0.1002**
Independent Variable T-Scores	
Nat'l Bus Lines	(1.92)
General Bus Lines	(1.32)

Year	Amount
2001	(5,985,005)
2002	(6,798,726)
2003	(5,402,906)

Period	Actual Revenue	NBA	GBA	Fitted Revenue
200101	(429,917)	490,270	382,004	*(527,353)*
200102	(463,292)	489,027	384,142	*(525,992)*
200103	(396,697)	486,673	383,882	*(521,685)*
200104	(384,151)	477,303	396,678	*(510,089)*
200105	(311,609)	474,332	395,295	*(504,231)*
200106	(696,314)	472,012	396,855	*(500,715)*
200107	(588,557)	466,873	399,235	*(492,495)*
200108	(666,431)	465,131	394,850	*(487,628)*
200109	(425,669)	464,006	390,140	*(483,732)*
200110	(684,530)	461,877	386,736	*(478,567)*
200111	(525,699)	461,248	385,136	*(476,803)*
200112	(412,139)	459,490	380,500	*(471,806)*
200201	(525,273)	543,700	293,806	*(587,374)*
200202	(506,470)	539,810	294,548	*(580,728)*
200203	(504,536)	534,448	238,312	*(548,613)*
200204	(613,748)	529,993	237,648	*(540,394)*
200205	(752,544)	527,878	238,707	*(537,043)*
200206	(547,635)	525,979	238,123	*(533,419)*
200207	(590,402)	523,897	237,607	*(529,496)*
200208	(567,265)	521,941	234,570	*(524,787)*
200209	(632,915)	520,951	234,468	*(522,979)*
200210	(570,227)	519,088	233,640	*(519,321)*
200211	(477,190)	517,997	232,691	*(516,993)*
200212	(510,522)	510,899	236,130	*(505,702)*
200301	(463,588)	509,365	235,797	*(502,830)*
200302	(522,948)	509,928	232,669	*(502,581)*
200303	(486,358)	508,305	234,627	*(500,469)*
200304	(486,101)	506,102	232,683	*(495,757)*
200305	(504,356)	504,196	230,766	*(491,586)*
200306	(436,216)	501,691	228,524	*(486,216)*
200307	(414,097)	498,127	227,842	*(479,580)*
200308	(435,897)	492,938	229,531	*(470,995)*
200309	(472,731)	491,877	223,149	*(466,542)*
200310	(422,979)	488,877	220,159	*(459,988)*
200311	(375,881)	485,253	218,885	*(453,009)*
200312	(381,755)	483,047	219,059	*(449,141)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.316595
R Square	0.100232
Adjusted R Squa	0.045701
Standard Error	98576.95
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	2	3.57E+10	1.79E+10
Residual	33	3.21E+11	9.72E+09
Total	35	3.56E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	500947.1	528498.3	0.947869
NBA	-1.78507	0.931045	-1.91728
GBA	-0.40087	0.304699	-1.31562

Qwest Arizona
Intrastate
White Pages Revenue Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	5230.11 Directory Rev White Pages - NonStd Listings	Access Lines	**0.9703**	**33.34**	(13,181)	(12,161)	(1,020)
2	5230.12 Directory Rev White Pages - Advertising	Access MOU	**0.0911**	**1.85**	(30)	(30)	
3	5230.19 Directory Rev White Pages - Other	Access Lines	**0.8213**	**12.50**	(2,830)	(3,289)	460
4	**Total State Access Revenue**				**(16,040)**	**(15,480)**	**(560)**

Qwest Arizona
State Access Revenue
5230.11 - Directory Revenue - White Pages - Nonstd Listings

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(1,013,379)
Multiplier	12
Annual Amount	(12,160,553)
Actual 2003 Revenue	(13,180,613)
Revenue Increase (Decrease)	**(1,020,060)**

Regression Results

R Square	**0.9703**
Independent Variable T-Scores	
Access Lines	(33.34)
	0.00

Year	Amount
2001	(16,504,509)
2002	(14,677,844)
2003	(13,180,613)

Period	Actual Revenue	Access Lines	Fitted Revenue
200101	(1,414,290)	3,029,958	*(1,389,444)*
200102	(1,401,562)	3,039,202	*(1,398,301)*
200103	(1,400,362)	3,038,499	*(1,397,628)*
200104	(1,371,344)	3,030,122	*(1,389,601)*
200105	(1,420,004)	3,022,840	*(1,382,624)*
200106	(1,404,056)	3,016,577	*(1,376,624)*
200107	(1,373,302)	3,012,510	*(1,372,727)*
200108	(1,372,513)	3,005,180	*(1,365,704)*
200109	(1,330,485)	3,000,467	*(1,361,188)*
200110	(1,343,434)	2,990,027	*(1,351,185)*
200111	(1,352,345)	2,983,302	*(1,344,742)*
200112	(1,320,811)	2,970,338	*(1,332,320)*
200201	(1,315,065)	2,937,951	*(1,301,289)*
200202	(1,308,684)	2,928,936	*(1,292,652)*
200203	(1,283,791)	2,909,579	*(1,274,105)*
200204	(1,284,572)	2,883,093	*(1,248,728)*
200205	(1,185,199)	2,867,602	*(1,233,885)*
200206	(1,215,907)	2,853,291	*(1,220,174)*
200207	(1,209,785)	2,849,607	*(1,216,644)*
200208	(1,205,191)	2,833,160	*(1,200,885)*
200209	(1,186,746)	2,829,651	*(1,197,523)*
200210	(1,156,281)	2,821,301	*(1,189,523)*
200211	(1,174,040)	2,818,958	*(1,187,278)*
200212	(1,152,583)	2,827,838	*(1,195,786)*
200301	(1,164,018)	2,822,214	*(1,190,398)*
200302	(1,161,703)	2,814,629	*(1,183,130)*
200303	(1,151,811)	2,800,877	*(1,169,954)*
200304	(1,138,978)	2,771,726	*(1,142,023)*
200305	(1,124,521)	2,751,001	*(1,122,166)*
200306	(1,105,401)	2,708,913	*(1,081,840)*
200307	(1,096,060)	2,697,078	*(1,070,501)*
200308	(1,085,740)	2,683,499	*(1,057,490)*
200309	(1,070,611)	2,673,282	*(1,047,701)*
200310	(1,049,551)	2,663,712	*(1,038,531)*
200311	(1,026,795)	2,649,895	*(1,025,293)*
200312	(1,005,424)	2,637,461	*(1,013,379)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.985049
R Square	**0.970322**
Adjusted R Squa	0.969449
Standard Error	21772.91
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	5.27E+11	5.27E+11
Residual	34	1.61E+10	4.74E+08
Total	35	5.43E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	1513663	82439.52	18.36089
Access Lines	-0.95813	0.028737	**-33.3412**

Qwest Arizona
State Access Revenue
5230.12 - Directory Revenue - White Pages - Advertising

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(2,485)
Multiplier	12
Annual Amount	(29,817)
Actual 2003 Revenue	(30,284)
Revenue Increase (Decrease)	**(466)**

Regression Results

R Square	**0.0911**
Independent Variable T-Scores	
Access Lines	(1.85)

Year	Amount
2001	(42,520)
2002	(50,495)
2003	(30,284)

Period	Actual Revenue	Access Lines	Fitted Revenue	Difference
200101	(7,730)	3,029,958	*(4,100)*	*(3,630)*
200102	(8,833)	3,039,202	*(4,138)*	*(4,695)*
200103	(1,364)	3,038,499	*(4,135)*	*2,771*
200104	(2,122)	3,030,122	*(4,100)*	*1,978*
200105	(1,705)	3,022,840	*(4,071)*	*2,365*
200106	(837)	3,016,577	*(4,045)*	*3,208*
200107	(284)	3,012,510	*(4,028)*	*3,744*
200108	(5,177)	3,005,180	*(3,998)*	*(1,179)*
200109	(2,140)	3,000,467	*(3,978)*	*1,838*
200110	(3,801)	2,990,027	*(3,935)*	*135*
200111	(4,667)	2,983,302	*(3,908)*	*(759)*
200112	(3,861)	2,970,338	*(3,854)*	*(6)*
200201	(5,389)	2,937,951	*(3,721)*	*(1,668)*
200202	(3,940)	2,928,936	*(3,684)*	*(256)*
200203	(4,596)	2,909,579	*(3,604)*	*(991)*
200204	(3,476)	2,883,093	*(3,495)*	*19*
200205	(3,375)	2,867,602	*(3,432)*	*56*
200206	(3,915)	2,853,291	*(3,373)*	*(542)*
200207	(4,210)	2,849,607	*(3,358)*	*(852)*
200208	(4,323)	2,833,160	*(3,290)*	*(1,033)*
200209	(4,604)	2,829,651	*(3,276)*	*(1,328)*
200210	(4,517)	2,821,301	*(3,241)*	*(1,276)*
200211	(4,043)	2,818,958	*(3,232)*	*(812)*
200212	(4,105)	2,827,838	*(3,268)*	*(837)*
200301	(3,797)	2,822,214	*(3,245)*	*(552)*
200302	(3,580)	2,814,629	*(3,214)*	*(366)*
200303	(3,407)	2,800,877	*(3,157)*	*(250)*
200304	(3,033)	2,771,726	*(3,037)*	*4*
200305	(2,665)	2,751,001	*(2,952)*	*287*
200306	(2,335)	2,708,913	*(2,779)*	*443*
200307	(1,972)	2,697,078	*(2,730)*	*759*
200308	(1,599)	2,683,499	*(2,674)*	*1,075*
200309	(1,682)	2,673,282	*(2,632)*	*950*
200310	(2,391)	2,663,712	*(2,593)*	*202*
200311	(1,935)	2,649,895	*(2,536)*	*601*
200312	(1,888)	2,637,461	*(2,485)*	*597*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.301886
R Square	**0.091135**
Adjusted R Squa	0.064404
Standard Error	1688.4
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	9718877	9718877
Residual	34	96923662	2850696
Total	35	1.07E+08	

	Coefficients	*andard Erro*	*t Stat*
Intercept	8367.541	6392.849	1.308891
Access Lines	-0.00411	0.002228	**-1.84643**

Qwest Arizona
State Access Revenue
5230.11 - Directory Revenue - White Pages - Nonstd Listings

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(274,125)
Multiplier	12
Annual Amount	(3,289,499)
Actual 2003 Revenue	(2,829,579)
Revenue Increase (Decrease)	**459,920**

Regression Results

R Square	**0.8213**
Independent Variable T-Scores	
Access Lines	12.50
	0.00

Year	Amount
2001	(852,031)
2002	(1,872,380)
2003	(2,829,579)

Period	Actual Revenue	Access Lines	Fitted Revenue
200101	(54,911)	3,029,958	*(68,254)*
200102	(56,388)	3,039,202	*(63,405)*
200103	(67,559)	3,038,499	*(63,774)*
200104	(81,028)	3,030,122	*(68,168)*
200105	(49,678)	3,022,840	*(71,987)*
200106	(85,409)	3,016,577	*(75,272)*
200107	(50,653)	3,012,510	*(77,405)*
200108	(61,624)	3,005,180	*(81,250)*
200109	(64,381)	3,000,467	*(83,722)*
200110	(72,941)	2,990,027	*(89,198)*
200111	(116,381)	2,983,302	*(92,726)*
200112	(91,079)	2,970,338	*(99,525)*
200201	(143,366)	2,937,951	*(116,513)*
200202	(173,335)	2,928,936	*(121,241)*
200203	(183,446)	2,909,579	*(131,394)*
200204	(151,925)	2,883,093	*(145,287)*
200205	(159,032)	2,867,602	*(153,412)*
200206	(172,169)	2,853,291	*(160,918)*
200207	(136,206)	2,849,607	*(162,851)*
200208	(122,213)	2,833,160	*(171,478)*
200209	(142,178)	2,829,651	*(173,318)*
200210	(93,845)	2,821,301	*(177,698)*
200211	(191,282)	2,818,958	*(178,927)*
200212	(203,384)	2,827,838	*(174,269)*
200301	(187,436)	2,822,214	*(177,219)*
200302	(208,665)	2,814,629	*(181,197)*
200303	(251,115)	2,800,877	*(188,410)*
200304	(188,840)	2,771,726	*(203,701)*
200305	(237,582)	2,751,001	*(214,571)*
200306	(262,603)	2,708,913	*(236,647)*
200307	(214,933)	2,697,078	*(242,855)*
200308	(248,874)	2,683,499	*(249,977)*
200309	(284,946)	2,673,282	*(255,336)*
200310	(193,789)	2,663,712	*(260,356)*
200311	(263,228)	2,649,895	*(267,603)*
200312	(287,570)	2,637,461	*(274,125)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.906248
R Square	**0.821286**
Adjusted R Squa	0.81603
Standard Error	31792.35
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.58E+11	1.58E+11
Residual	34	3.44E+10	1.01E+09
Total	35	1.92E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-1657517	120376.5	-13.7694
Access Lines	0.524517	0.041962	**12.49993**

Qwest Arizona
Intrastate
Intrastate Miscellaneous Revenue Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Pro Forma Value	(E) Increase (Decrease)
1	5261 - Miscellaneous - Special Billing Arrangements	Access Lines	**0.0203**	**0.84**	186	268	
2	5262 - Miscellaneous - Customer Operations Revenue	Access Lines	**0.0475**	**1.30**	(2,404)	(2,639)	
3	5263 - Miscellaneous - Plant Operations Revenue	Access Lines	**0.0875**	**1.81**	(18,916)	(17,628)	
4	5264.2 - Miscellaneous - Special Charges & Credits for Customer Pmts	Access Lines	**0.1855**	**2.78**	(216)	(219)	
5	5264.3 - Miscellaneous - Late Payment Fees	Access Lines	**0.7578**	**10.31**	(7,702)	(6,020)	(1,682)
6	5264.6/8 - Miscellaneous - Operator Services Revenue	Access Lines	**0.0161**	**0.75**	(35)	(32)	
7	5264.7 - Miscellaneous - Miscellaneous Billings & Loadings	Access Lines	**0.5322**	**6.22**	(770)	991	
8	5264.9 - Miscellaneous - Equal Access/Network Reconfig	Access Lines	**0.0363**	**1.13**	(4,273)	(4,121)	
9	5270 - Miscellaneous - Carrier Billing & Collection	Access Lines	**0.5520**	**6.47**	(15,595)	(13,860)	(1,735)
10	**Total State Miscellaneous Revenue**						**(3,417)**
11	Intrastate Factor						80.95%
12	**Intrastate Miscellaneous Revenue Increase (Decrease)**						**(2,766)**

Qwest Arizona
Miscellaneous Revenue
5261 - Miscellaneous - Special Billing Arrangements

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	22,356
Multiplier	12
Annual Amount	268,269
Actual 2003 Revenue	186,044
Revenue Increase (Decrease)	**(82,225)**

Regression Results

R Square	**0.0203**
Independent Variable T-Scores	
Access Lines	(0.84)

Year	Amount
2001	138,044
2002	332,413
2003	186,044

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	9,310	3,029,958	*15,279*	*(5,970)*
200102	8,687	3,039,202	*15,113*	*(6,425)*
200103	14,423	3,038,499	*15,125*	*(702)*
200104	13,924	3,030,122	*15,276*	*(1,352)*
200105	11,123	3,022,840	*15,408*	*(4,284)*
200106	2,320	3,016,577	*15,520*	*(13,201)*
200107	15,088	3,012,510	*15,594*	*(506)*
200108	6,416	3,005,180	*15,726*	*(9,310)*
200109	25,093	3,000,467	*15,811*	*9,282*
200110	3,003	2,990,027	*15,999*	*(12,996)*
200111	9,183	2,983,302	*16,120*	*(6,937)*
200112	19,474	2,970,338	*16,354*	*3,120*
200201	50,439	2,937,951	*16,938*	*33,501*
200202	26,782	2,928,936	*17,101*	*9,682*
200203	36,292	2,909,579	*17,450*	*18,842*
200204	32,568	2,883,093	*17,927*	*14,641*
200205	21,298	2,867,602	*18,206*	*3,092*
200206	17,325	2,853,291	*18,464*	*(1,140)*
200207	20,413	2,849,607	*18,531*	*1,882*
200208	28,905	2,833,160	*18,827*	*10,078*
200209	23,238	2,829,651	*18,891*	*4,347*
200210	44,111	2,821,301	*19,041*	*25,069*
200211	14,112	2,818,958	*19,083*	*(4,972)*
200212	16,931	2,827,838	*18,923*	*(1,992)*
200301	(47,397)	2,822,214	*19,025*	*(66,421)*
200302	36,946	2,814,629	*19,161*	*17,785*
200303	9,736	2,800,877	*19,409*	*(9,673)*
200304	21,332	2,771,726	*19,935*	*1,397*
200305	30,542	2,751,001	*20,309*	*10,233*
200306	24,394	2,708,913	*21,067*	*3,327*
200307	15,347	2,697,078	*21,281*	*(5,934)*
200308	7,247	2,683,499	*21,526*	*(14,279)*
200309	37,789	2,673,282	*21,710*	*16,079*
200310	5,657	2,663,712	*21,882*	*(16,226)*
200311	17,494	2,649,895	*22,132*	*(4,638)*
200312	26,957	2,637,461	*22,356*	*4,601*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.142582
R Square	**0.02033**
Adjusted R Squa	-0.00848
Standard Error	16262.71
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.87E+08	1.87E+08
Residual	34	8.99E+09	2.64E+08
Total	35	9.18E+09	

	Coefficients	*andard Erro*	*t Stat*
Intercept	69908.01	61576.07	1.135311
EOP Acc Lines	-0.01803	0.021465	**-0.83997**

Qwest Arizona
Miscellaneous Revenue
5262 - Miscellaneous - Customer Operations Revenue

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(219,944)
Multiplier	12
Annual Amount	(2,639,330)
Actual 2003 Revenue	(2,403,690)
Revenue Increase (Decrease)	**235,639**

Regression Results

R Square	**0.0475**
Independent Variable T-Scores	
Access Lines	(1.30)

Year	Amount
2001	(3,638,884)
2002	(5,667,736)
2003	(2,403,690)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(207,448)	3,029,958	*(400,899)*	*193,451*
200102	(43,337)	3,039,202	*(405,161)*	*361,823*
200103	(42,361)	3,038,499	*(404,836)*	*362,476*
200104	(153,637)	3,030,122	*(400,974)*	*247,338*
200105	(162,852)	3,022,840	*(397,617)*	*234,765*
200106	(162,382)	3,016,577	*(394,730)*	*232,348*
200107	(161,488)	3,012,510	*(392,855)*	*231,367*
200108	(337,148)	3,005,180	*(389,475)*	*52,327*
200109	(841,017)	3,000,467	*(387,302)*	*(453,714)*
200110	(742,364)	2,990,027	*(382,489)*	*(359,875)*
200111	(347,485)	2,983,302	*(379,389)*	*31,904*
200112	(437,365)	2,970,338	*(373,412)*	*(63,953)*
200201	(520,861)	2,937,951	*(358,480)*	*(162,380)*
200202	(377,595)	2,928,936	*(354,324)*	*(23,271)*
200203	(399,723)	2,909,579	*(345,400)*	*(54,323)*
200204	(388,184)	2,883,093	*(333,189)*	*(54,995)*
200205	(1,299,705)	2,867,602	*(326,047)*	*(973,658)*
200206	(343,504)	2,853,291	*(319,449)*	*(24,055)*
200207	(208,943)	2,849,607	*(317,751)*	*108,808*
200208	(468,669)	2,833,160	*(310,168)*	*(158,501)*
200209	(446,850)	2,829,651	*(308,550)*	*(138,300)*
200210	(341,524)	2,821,301	*(304,701)*	*(36,823)*
200211	(331,927)	2,818,958	*(303,620)*	*(28,307)*
200212	(540,251)	2,827,838	*(307,714)*	*(232,536)*
200301	(639,500)	2,822,214	*(305,122)*	*(334,379)*
200302	(615,478)	2,814,629	*(301,625)*	*(313,854)*
200303	(309,140)	2,800,877	*(295,285)*	*(13,855)*
200304	(61,147)	2,771,726	*(281,845)*	*220,698*
200305	(107,133)	2,751,001	*(272,290)*	*165,157*
200306	(146,715)	2,708,913	*(252,886)*	*106,171*
200307	(295,632)	2,697,078	*(247,430)*	*(48,202)*
200308	(79,729)	2,683,499	*(241,169)*	*161,440*
200309	46,134	2,673,282	*(236,459)*	*282,593*
200310	(69,504)	2,663,712	*(232,047)*	*162,543*
200311	(61,355)	2,649,895	*(225,677)*	*164,322*
200312	(64,490)	2,637,461	*(219,944)*	*155,454*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.218054
R Square	**0.047547**
Adjusted R Squa	0.019534
Standard Error	268116.2
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.22E+11	1.22E+11
Residual	34	2.44E+12	7.19E+10
Total	35	2.57E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	996016.1	1015178	0.981125
EOP Acc Lines	-0.46103	0.353877	**-1.30281**

Qwest Arizona
Miscellaneous Revenue
5263 - Miscellaneous - Plant Operations Revenue

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(1,468,964)
Multiplier	12
Annual Amount	(17,627,573)
Actual 2003 Revenue	(18,915,954)
Revenue Increase (Decrease)	**(1,288,380)**

Regression Results

R Square	**0.0875**
Independent Variable T-Scores	
Access Lines	1.81

Year	Amount
2001	(14,521,514)
2002	(8,161,246)
2003	(18,915,954)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(922,273)	3,029,958	(930,536)	8,263
200102	(1,004,955)	3,039,202	(917,855)	(87,099)
200103	(816,629)	3,038,499	(918,820)	102,191
200104	(835,938)	3,030,122	(930,311)	94,373
200105	(1,150,335)	3,022,840	(940,301)	(210,034)
200106	(1,000,713)	3,016,577	(948,892)	(51,821)
200107	(960,616)	3,012,510	(954,471)	(6,145)
200108	(1,071,166)	3,005,180	(964,527)	(106,639)
200109	(2,497,797)	3,000,467	(970,992)	(1,526,805)
200110	(1,088,162)	2,990,027	(985,314)	(102,849)
200111	(894,609)	2,983,302	(994,539)	99,930
200112	(2,278,321)	2,970,338	(1,012,323)	(1,265,998)
200201	(462,318)	2,937,951	(1,056,752)	594,434
200202	(736,867)	2,928,936	(1,069,118)	332,251
200203	(239,326)	2,909,579	(1,095,672)	856,346
200204	(692,412)	2,883,093	(1,132,006)	439,594
200205	(558,477)	2,867,602	(1,153,256)	594,780
200206	(406,130)	2,853,291	(1,172,888)	766,758
200207	(984,680)	2,849,607	(1,177,942)	193,262
200208	(361,629)	2,833,160	(1,200,504)	838,875
200209	(949,371)	2,829,651	(1,205,318)	255,946
200210	(588,079)	2,821,301	(1,216,772)	628,693
200211	(950,231)	2,818,958	(1,219,986)	269,756
200212	(1,231,726)	2,827,838	(1,207,805)	(23,921)
200301	(1,272,819)	2,822,214	(1,215,520)	(57,299)
200302	(2,706,487)	2,814,629	(1,225,925)	(1,480,562)
200303	(1,244,405)	2,800,877	(1,244,790)	385
200304	(652,890)	2,771,726	(1,284,779)	631,889
200305	(1,480,271)	2,751,001	(1,313,210)	(167,061)
200306	(1,727,126)	2,708,913	(1,370,946)	(356,179)
200307	(1,416,067)	2,697,078	(1,387,182)	(28,885)
200308	(1,626,054)	2,683,499	(1,405,809)	(220,244)
200309	(1,494,609)	2,673,282	(1,419,825)	(74,784)
200310	(1,505,739)	2,663,712	(1,432,953)	(72,786)
200311	(2,348,391)	2,649,895	(1,451,907)	(896,483)
200312	(1,441,098)	2,637,461	(1,468,964)	27,866

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.295859
R Square	**0.087532**
Adjusted R Squa	0.060695
Standard Error	575502.7
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.08E+12	1.08E+12
Residual	34	1.13E+13	3.31E+11
Total	35	1.23E+13	

	Coefficients	*andard Erro*	*t Stat*
Intercept	-5087040	2179046	-2.33453
EOP Acc Lines	1.371802	0.759585	**1.80599**

Qwest Arizona
Miscellaneous Revenue
5264.2 - Miscellaneous - Special Charges & Credits for Customer Pmts

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(18,237)
Multiplier	12
Annual Amount	(218,843)
Actual 2003 Revenue	(215,551)
Revenue Increase (Decrease)	**3,291**

Regression Results

R Square	**0.1855**
Independent Variable T-Scores	
Access Lines	(2.78)

Year	Amount
2001	(247,185)
2002	(255,242)
2003	(215,551)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(20,385)	3,029,958	(21,169)	784
200102	(16,410)	3,039,202	(21,238)	4,828
200103	(20,020)	3,038,499	(21,233)	1,213
200104	(19,100)	3,030,122	(21,170)	2,070
200105	(19,070)	3,022,840	(21,116)	2,046
200106	(22,560)	3,016,577	(21,069)	(1,491)
200107	(19,720)	3,012,510	(21,039)	1,319
200108	(22,060)	3,005,180	(20,984)	(1,076)
200109	(23,160)	3,000,467	(20,949)	(2,211)
200110	(20,880)	2,990,027	(20,871)	(9)
200111	(23,270)	2,983,302	(20,821)	(2,449)
200112	(20,550)	2,970,338	(20,724)	174
200201	(23,470)	2,937,951	(20,482)	(2,988)
200202	(20,920)	2,928,936	(20,414)	(506)
200203	(18,680)	2,909,579	(20,270)	1,590
200204	(19,490)	2,883,093	(20,072)	582
200205	(21,750)	2,867,602	(19,956)	(1,794)
200206	(22,530)	2,853,291	(19,849)	(2,681)
200207	(21,742)	2,849,607	(19,822)	(1,920)
200208	(22,210)	2,833,160	(19,699)	(2,511)
200209	(23,030)	2,829,651	(19,673)	(3,357)
200210	(21,670)	2,821,301	(19,610)	(2,060)
200211	(21,270)	2,818,958	(19,593)	(1,677)
200212	(18,480)	2,827,838	(19,659)	1,179
200301	(20,497)	2,822,214	(19,617)	(880)
200302	(18,314)	2,814,629	(19,560)	1,246
200303	(15,840)	2,800,877	(19,458)	3,618
200304	(17,960)	2,771,726	(19,240)	1,280
200305	(16,320)	2,751,001	(19,085)	2,765
200306	(19,540)	2,708,913	(18,771)	(769)
200307	(16,950)	2,697,078	(18,682)	1,732
200308	(19,360)	2,683,499	(18,581)	(779)
200309	(17,570)	2,673,282	(18,504)	934
200310	(17,340)	2,663,712	(18,433)	1,093
200311	(19,900)	2,649,895	(18,330)	(1,570)
200312	(15,960)	2,637,461	(18,237)	2,277

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.430669
R Square	**0.185476**
Adjusted R Squa	0.161519
Standard Error	2034.199
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	32036801	32036801
Residual	34	1.41E+08	4137967
Total	35	1.73E+08	

	Coefficients	*andard Erro*	*t Stat*
Intercept	1466.449	7702.16	0.190395
EOP Acc Lines	-0.00747	0.002685	**-2.78247**

Qwest Arizona
Miscellaneous Revenue
5264.3 - Miscellaneous - Late Payment Fees

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(501,635)
Multiplier	12
Annual Amount	(6,019,620)
Actual 2003 Revenue	(7,701,759)
Revenue Increase (Decrease)	**(1,682,139)**

Regression Results

R Square	**0.7578**
Independent Variable T-Scores	
Access Lines	(10.31)

Year	Amount
2001	(13,991,952)
2002	(10,812,834)
2003	(7,701,759)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(1,173,191)	3,029,958	(1,191,022)	17,831
200102	(1,680,047)	3,039,202	(1,207,258)	(472,789)
200103	(996,363)	3,038,499	(1,206,023)	209,660
200104	(1,106,578)	3,030,122	(1,191,310)	84,731
200105	(1,035,598)	3,022,840	(1,178,519)	142,922
200106	(1,017,907)	3,016,577	(1,167,519)	149,612
200107	(1,036,582)	3,012,510	(1,160,376)	123,793
200108	(1,229,226)	3,005,180	(1,147,501)	(81,725)
200109	(1,207,074)	3,000,467	(1,139,223)	(67,851)
200110	(1,321,312)	2,990,027	(1,120,886)	(200,425)
200111	(1,152,909)	2,983,302	(1,109,074)	(43,834)
200112	(1,035,165)	2,970,338	(1,086,304)	51,139
200201	(1,123,368)	2,937,951	(1,029,419)	(93,949)
200202	(1,091,286)	2,928,936	(1,013,585)	(77,701)
200203	(940,374)	2,909,579	(979,586)	39,212
200204	(938,821)	2,883,093	(933,066)	(5,755)
200205	(858,683)	2,867,602	(905,857)	47,175
200206	(742,727)	2,853,291	(880,721)	137,994
200207	(926,203)	2,849,607	(874,251)	(51,952)
200208	(867,597)	2,833,160	(845,363)	(22,234)
200209	(835,718)	2,829,651	(839,200)	3,482
200210	(837,613)	2,821,301	(824,534)	(13,079)
200211	(838,049)	2,818,958	(820,419)	(17,631)
200212	(812,395)	2,827,838	(836,015)	23,620
200301	(838,278)	2,822,214	(826,137)	(12,141)
200302	(859,852)	2,814,629	(812,815)	(47,037)
200303	(678,739)	2,800,877	(788,661)	109,922
200304	(427,377)	2,771,726	(737,460)	310,082
200305	(630,828)	2,751,001	(701,058)	70,230
200306	(635,699)	2,708,913	(627,134)	(8,565)
200307	(631,153)	2,697,078	(606,347)	(24,806)
200308	(626,659)	2,683,499	(582,497)	(44,163)
200309	(617,996)	2,673,282	(564,551)	(53,444)
200310	(641,204)	2,663,712	(547,743)	(93,461)
200311	(593,205)	2,649,895	(523,474)	(69,731)
200312	(520,768)	2,637,461	(501,635)	(19,133)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.870509
R Square	**0.757786**
Adjusted R Squa	0.750662
Standard Error	129028.2
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.77E+12	1.77E+12
Residual	34	5.66E+11	1.66E+10
Total	35	2.34E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	4130834	488544.1	8.455396
EOP Acc Lines	-1.75641	0.1703	**-10.3137**

Qwest Arizona
Miscellaneous Revenue
5264.6/8 - Miscellaneous - Operator Services Revenue

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(2,654)
Multiplier	12
Annual Amount	(31,852)
Actual 2003 Revenue	(35,439)
Revenue Increase (Decrease)	**(3,587)**

Regression Results

R Square	**0.0161**
Independent Variable T-Scores	
Access Lines	(0.75)

Year	Amount
2001	(41,870)
2002	(62,244)
2003	(35,439)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(4,356)	3,029,958	*(4,754)*	*397*
200102	(4,497)	3,039,202	*(4,803)*	*306*
200103	(4,510)	3,038,499	*(4,799)*	*290*
200104	(4,061)	3,030,122	*(4,755)*	*693*
200105	(4,681)	3,022,840	*(4,716)*	*34*
200106	(4,847)	3,016,577	*(4,682)*	*(165)*
200107	(4,415)	3,012,510	*(4,660)*	*245*
200108	(2,378)	3,005,180	*(4,621)*	*2,243*
200109	(2,313)	3,000,467	*(4,596)*	*2,283*
200110	(2,227)	2,990,027	*(4,540)*	*2,313*
200111	(1,725)	2,983,302	*(4,504)*	*2,779*
200112	(1,857)	2,970,338	*(4,435)*	*2,577*
200201	(24,103)	2,937,951	*(4,262)*	*(19,842)*
200202	(3,491)	2,928,936	*(4,213)*	*723*
200203	(12,576)	2,909,579	*(4,110)*	*(8,466)*
200204	(2,387)	2,883,093	*(3,968)*	*1,581*
200205	(3,901)	2,867,602	*(3,885)*	*(16)*
200206	16,456	2,853,291	*(3,809)*	*20,265*
200207	(3,614)	2,849,607	*(3,789)*	*175*
200208	(5,552)	2,833,160	*(3,701)*	*(1,851)*
200209	(11,669)	2,829,651	*(3,682)*	*(7,987)*
200210	(6,323)	2,821,301	*(3,638)*	*(2,686)*
200211	(2,955)	2,818,958	*(3,625)*	*670*
200212	(2,129)	2,827,838	*(3,673)*	*1,543*
200301	(3,008)	2,822,214	*(3,643)*	*634*
200302	(3,825)	2,814,629	*(3,602)*	*(223)*
200303	(2,664)	2,800,877	*(3,528)*	*864*
200304	(1,541)	2,771,726	*(3,372)*	*1,832*
200305	(3,310)	2,751,001	*(3,262)*	*(49)*
200306	(4,747)	2,708,913	*(3,037)*	*(1,711)*
200307	(4,079)	2,697,078	*(2,973)*	*(1,106)*
200308	(3,241)	2,683,499	*(2,901)*	*(340)*
200309	(3,166)	2,673,282	*(2,846)*	*(320)*
200310	(2,950)	2,663,712	*(2,795)*	*(156)*
200311	(2,906)	2,649,895	*(2,721)*	*(185)*
200312	0	2,637,461	*(2,654)*	*2,654*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.126907
R Square	**0.016105**
Adjusted R Squa	-0.01283
Standard Error	5431.991
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	16421833	16421833
Residual	34	1E+09	29506524
Total	35	1.02E+09	

	Coefficients	*andard Erro*	*t Stat*
Intercept	11452.36	20567.34	0.556823
EOP Acc Lines	-0.00535	0.007169	**-0.74602**

Qwest Arizona
Miscellaneous Revenue
5264.7 - Miscellaneous - Miscellaneous Billings & Loadings

	Monthly *Forecast*
Forecast Period	Dec 2003
Forecast Amount	82,580
Multiplier	12
Annual Amount	990,957
Actual 2003 Revenue	*(769,958)*
Revenue Increase (Decrease)	**(1,760,915)**

Regression Results

R Square	**0.5322**
Independent Variable T-Scores	
Access Lines	(6.22)

Year	Amount
2001	(7,333,347)
2002	(2,319,971)
2003	(769,958)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(470,867)	3,029,958	*(556,632)*	*85,765*
200102	(485,595)	3,039,202	*(571,686)*	*86,091*
200103	(253,208)	3,038,499	*(570,541)*	*317,333*
200104	(1,028,825)	3,030,122	*(556,899)*	*(471,926)*
200105	(434,503)	3,022,840	*(545,039)*	*110,536*
200106	(398,038)	3,016,577	*(534,840)*	*136,802*
200107	(528,774)	3,012,510	*(528,216)*	*(558)*
200108	(479,047)	3,005,180	*(516,279)*	*37,232*
200109	(700,518)	3,000,487	*(508,603)*	*(191,915)*
200110	(708,025)	2,990,027	*(491,601)*	*(216,424)*
200111	(919,412)	2,983,302	*(480,649)*	*(438,763)*
200112	(926,536)	2,970,338	*(459,536)*	*(467,000)*
200201	(360,781)	2,937,951	*(406,791)*	*46,010*
200202	(104,622)	2,928,936	*(392,110)*	*287,487*
200203	(184,118)	2,909,579	*(360,585)*	*176,467*
200204	(246,158)	2,883,093	*(317,451)*	*71,293*
200205	(43,390)	2,867,602	*(292,222)*	*248,832*
200206	(211,222)	2,853,291	*(268,916)*	*57,694*
200207	(431,238)	2,849,607	*(262,916)*	*(168,322)*
200208	(63,635)	2,833,160	*(236,131)*	*172,497*
200209	(20,306)	2,829,651	*(230,416)*	*210,110*
200210	(101,391)	2,821,301	*(216,818)*	*115,427*
200211	(134,724)	2,818,958	*(213,002)*	*78,278*
200212	(418,386)	2,827,838	*(227,464)*	*(190,923)*
200301	(98,541)	2,822,214	*(218,305)*	*119,763*
200302	(16,954)	2,814,629	*(205,952)*	*188,997*
200303	(98,897)	2,800,877	*(183,556)*	*84,659*
200304	(82,369)	2,771,726	*(136,081)*	*53,712*
200305	(125,081)	2,751,001	*(102,329)*	*(22,752)*
200306	(39,076)	2,708,913	*(33,785)*	*(5,291)*
200307	(33,538)	2,697,078	*(14,511)*	*(19,027)*
200308	(34,565)	2,683,499	*7,603*	*(42,168)*
200309	(2,415)	2,673,282	*24,243*	*(26,658)*
200310	(113,267)	2,663,712	*39,828*	*(153,095)*
200311	(18,875)	2,649,895	*62,330*	*(81,205)*
200312	(106,379)	2,637,461	*82,580*	*(188,959)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.729504
R Square	**0.532177**
Adjusted R Squa	0.518417
Standard Error	198405.1
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.52E+12	1.52E+12
Residual	34	1.34E+12	3.94E+10
Total	35	2.86E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	4377886	751228.1	5.827638
EOP Acc Lines	-1.62858	0.261868	**-6.21908**

Qwest Arizona
Miscellaneous Revenue
5264.9 - Miscellaneous - Equal Access/Network Reconfig

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(343,378)
Multiplier	12
Annual Amount	(4,120,535)
Actual 2003 Revenue	(4,272,595)
Revenue Increase (Decrease)	**(152,060)**

Regression Results

R Square	**0.0363**
Independent Variable T-Scores	
Access Lines	(1.13)

Year	Amount
2001	(4,978,914)
2002	(4,780,670)
2003	(4,272,595)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(154,672)	3,029,958	*(423,091)*	*268,419*
200102	(630,499)	3,039,202	*(424,968)*	*(205,531)*
200103	(337,426)	3,038,499	*(424,826)*	*87,400*
200104	(320,897)	3,030,122	*(423,124)*	*102,227*
200105	(676,073)	3,022,840	*(421,645)*	*(254,428)*
200106	(322,551)	3,016,577	*(420,374)*	*97,823*
200107	(302,506)	3,012,510	*(419,548)*	*117,041*
200108	(695,969)	3,005,180	*(418,059)*	*(277,910)*
200109	(312,427)	3,000,467	*(417,102)*	*104,674*
200110	(318,430)	2,990,027	*(414,981)*	*96,552*
200111	(310,913)	2,983,302	*(413,616)*	*102,703*
200112	(596,550)	2,970,338	*(410,983)*	*(185,567)*
200201	(305,012)	2,937,951	*(404,405)*	*99,393*
200202	(643,564)	2,928,936	*(402,574)*	*(240,990)*
200203	(313,576)	2,909,579	*(398,643)*	*85,067*
200204	(323,695)	2,883,093	*(393,264)*	*69,569*
200205	(609,797)	2,867,602	*(390,118)*	*(219,679)*
200206	(251,455)	2,853,291	*(387,211)*	*135,756*
200207	(628,895)	2,849,607	*(386,463)*	*(242,431)*
200208	(279,298)	2,833,160	*(383,123)*	*103,825*
200209	(271,959)	2,829,651	*(382,410)*	*110,452*
200210	(271,375)	2,821,301	*(380,714)*	*109,339*
200211	(364,114)	2,818,958	*(380,239)*	*16,125*
200212	(517,932)	2,827,838	*(382,042)*	*(135,889)*
200301	(383,034)	2,822,214	*(380,900)*	*(2,134)*
200302	(397,383)	2,814,629	*(379,359)*	*(18,024)*
200303	(323,403)	2,800,877	*(376,566)*	*53,163*
200304	(334,153)	2,771,726	*(370,646)*	*36,493*
200305	(375,612)	2,751,001	*(366,437)*	*(9,175)*
200306	(336,840)	2,708,913	*(357,889)*	*21,049*
200307	(342,998)	2,697,078	*(355,486)*	*12,488*
200308	(370,115)	2,683,499	*(352,728)*	*(17,387)*
200309	(368,718)	2,673,282	*(350,653)*	*(18,065)*
200310	(362,976)	2,663,712	*(348,709)*	*(14,267)*
200311	(326,637)	2,649,895	*(345,903)*	*19,266*
200312	(350,725)	2,637,461	*(343,378)*	*(7,348)*

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.190544
R Square	**0.036307**
Adjusted R Squa	0.007963
Standard Error	135956.3
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	2.37E+10	2.37E+10
Residual	34	6.28E+11	1.85E+10
Total	35	6.52E+11	

	Coefficients	*andard Erro*	*t Stat*
Intercept	192270.4	514776.1	0.373503
EOP Acc Lines	-0.20309	0.179444	**-1.13179**

Qwest Arizona
Miscellaneous Revenue
5270 - Miscellaneous - Carrier Billing & Collection

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	(1,155,013)
Multiplier	12
Annual Amount	(13,860,152)
Actual 2003 Revenue	(15,594,697)
Revenue Increase (Decrease)	**(1,734,545)**

Regression Results

R Square	**0.5520**
Independent Variable T-Scores	
Access Lines	(6.47)

Year	Amount
2001	(21,065,219)
2002	(17,259,814)
2003	(15,594,697)

Period	Actual Revenue	EOP Acc Lines	Fitted Revenue	Difference
200101	(1,657,128)	3,029,958	(1,743,794)	86,666
200102	(1,944,133)	3,039,202	(1,757,661)	(186,472)
200103	(2,169,717)	3,038,499	(1,756,606)	(413,110)
200104	(1,591,822)	3,030,122	(1,744,040)	152,218
200105	(1,995,119)	3,022,840	(1,733,116)	(262,002)
200106	(1,842,054)	3,016,577	(1,723,721)	(118,333)
200107	(1,644,642)	3,012,510	(1,717,621)	72,978
200108	(1,837,978)	3,005,180	(1,706,625)	(131,353)
200109	(1,563,931)	3,000,467	(1,699,555)	135,624
200110	(1,459,756)	2,990,027	(1,683,894)	224,138
200111	(1,536,351)	2,983,302	(1,673,806)	137,455
200112	(1,822,588)	2,970,338	(1,654,359)	(168,230)
200201	(1,459,846)	2,937,951	(1,605,775)	145,929
200202	(1,681,038)	2,928,936	(1,592,252)	(88,786)
200203	(1,509,848)	2,909,579	(1,563,215)	53,366
200204	(1,553,631)	2,883,093	(1,523,483)	(30,148)
200205	(1,650,220)	2,867,602	(1,500,245)	(149,975)
200206	(1,619,173)	2,853,291	(1,478,777)	(140,395)
200207	(1,226,521)	2,849,607	(1,473,251)	246,730
200208	(1,475,718)	2,833,160	(1,448,579)	(27,139)
200209	(1,112,760)	2,829,651	(1,443,315)	330,555
200210	(1,203,510)	2,821,301	(1,430,790)	227,280
200211	(1,373,059)	2,818,958	(1,427,275)	54,216
200212	(1,394,491)	2,827,838	(1,440,596)	46,105
200301	(1,195,318)	2,822,214	(1,432,159)	236,841
200302	(1,425,197)	2,814,629	(1,420,781)	(4,416)
200303	(1,326,740)	2,800,877	(1,400,152)	73,412
200304	(1,281,143)	2,771,726	(1,356,422)	75,280
200305	(1,257,875)	2,751,001	(1,325,333)	67,458
200306	(1,270,834)	2,708,913	(1,262,197)	(8,636)
200307	(1,089,257)	2,697,078	(1,244,444)	155,187
200308	(1,518,395)	2,683,499	(1,224,074)	(294,321)
200309	(1,324,050)	2,673,282	(1,208,747)	(115,302)
200310	(1,195,182)	2,663,712	(1,194,392)	(790)
200311	(1,264,987)	2,649,895	(1,173,665)	(91,322)
200312	(1,445,721)	2,637,461	(1,155,013)	(290,708)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.742939
R Square	**0.551958**
Adjusted R Squa	0.53878
Standard Error	175612.7
Observations	36

ANOVA

	df	*SS*	*MS*
Regression	1	1.29E+12	1.29E+12
Residual	34	1.05E+12	3.08E+10
Total	35	2.34E+12	

	Coefficients	*andard Erro*	*t Stat*
Intercept	2801420	664928.7	4.213114
EOP Acc Lines	-1.50009	0.231785	**-6.47191**

Qwest Arizona
Intrastate
Uncollectibles Annualization
($000's)

Line	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	5301.2 - End User	Total Lines	**0.5422**	**6.35**	17,140	15,280	(1,860)
2	5301.5 - Carrier Access Services	Period Number	**0.3804**	**-3.68**	57	57	
3	5301.8 - Nonregulated	Period Number	**0.7741**	**-9.97**	1,380	835	(546)
4	**TOTAL UNCOLLECTIBLES**				**18,577**	**16,172**	**(2,405)**

Qwest Arizona
Intrastate Uncollectible Expense - End User (5301.2)

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	1,273,338
Multiplier	12
Annual Amount	15,280,058
Actual 2003 Expense	17,139,870
Expense Increase (Decrease)	**(1,859,811)**

Regression Results

R Square	**0.5422**
Independent Variable T-Scores	
Total Access Lines	6.35

Year	Amount	Total Lines in Svc
2001	27,596,734	3,011,585
2002	25,063,572	2,863,414
2003	17,139,870	2,722,857

Period	Normalized Expense	Total Lines in Svc
200101	1,996,513	3,029,958
200102	2,382,880	3,039,202
200103	1,955,089	3,038,499
200104	1,759,762	3,030,122
200105	1,834,638	3,022,840
200106	2,093,861	3,016,577
200107	2,623,890	3,012,510
200108	2,340,477	3,005,180
200109	2,661,615	3,000,467
200110	2,406,029	2,990,027
200111	3,105,708	2,983,302
200112	2,436,271	2,970,338
200201	1,946,988	2,937,951
200202	2,334,268	2,928,936
200203	1,986,244	2,909,579
200204	2,584,543	2,883,093
200205	2,138,804	2,867,602
200206	2,138,273	2,853,291
200207	2,449,297	2,849,607
200208	2,295,223	2,833,160
200209	1,883,454	2,829,651
200210	1,699,898	2,821,301
200211	1,693,713	2,818,958
200212	1,912,868	2,827,838
200301	1,743,633	2,822,214
200302	2,168,129	2,814,629
200303	1,663,202	2,800,877
200304	1,363,309	2,771,726
200305	1,467,526	2,751,001
200306	1,439,673	2,708,913
200307	1,575,872	2,697,078
200308	994,173	2,683,499
200309	995,782	2,673,282
200310	929,181	2,663,712
200311	1,608,892	2,649,895
200312	1,190,497	2,637,461

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.73634
R Square	**0.542197**
Adjusted R Square	0.528732
Standard Error	347782.3
Observations	36

ANOVA

	df	*SS*	*MS*	*F*
Regression	1	4.87E+12	4.87E+12	40.26773
Residual	34	4.11E+12	1.21E+11	
Total	35	8.98E+12		

	Coefficients	*andard Erro*	*t Stat*	*P-value*
Intercept	-6409135	1316820	-4.86713	2.55E-05
Total Lines in Svc	2.912829	0.459025	**6.345686**	3.07E-07

Qwest Arizona
Intrastate Carrier Uncollectible Revenue, Acct 5301.5

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	3,011
Multiplier	12
Annual Amount	36,131
Lesser of Annual Amount or Zero	36,131
Actual 2003 Expense	57,017
Expense Increase (Decrease)	**(20,887)**

Regression Results

R Square	**0.3804**
Independent Variable T-Scores	
Period Number	(3.68)

Year	**Amount**	**Period Nbr**
2001	1,614,741	1
2002	152,428	2
2003	57,017	3

Period	**Amount**	**Period Nbr**
200101	128,243	1
200102	160,270	2
200103	128,506	3
200104	128,412	4
200105	139,798	5
200106	129,880	6
200107	125,576	7
200108	140,998	8
200109	133,791	9
200110	131,987	10
200111	140,264	11
200112	127,016	12
200201	13,961	13
200202	8,084	14
200203	19,891	15
200204	9,267	16
200205	9,121	17
200206	17,943	18
200207	24,775	19
200208	9,739	20
200209	9,985	21
200210	9,297	22
200211	9,393	23
200212	10,973	24
200301	1,957	25
200302	1,993	26
200303	3,320	27
200304	4,269	28
200305	7,985	29
200306	3,128	30
200307	4,397	31
200308	7,669	32
200309	6,343	33
200310	7,912	34
200311	3,591	35
200312	4,454	36

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.616794
R Square	**0.380435**
Adjusted R Square	0.352273
Standard Error	4586.028
Observations	24

ANOVA

	df	*SS*	*MS*	*F*
Regression	1	2.84E+08	2.84E+08	13.50877
Residual	22	4.63E+08	21031649	
Total	23	7.47E+08		

	Coefficients	*andard Erro*	*t Stat*	*P-value*
Intercept	20904.5	3442.953	6.071677	4.12E-06
X Variable 1	-497.0449	135.2346	**-3.675428**	0.001327

Qwest Arizona
Intrastate NonRegulated Uncollectible Revenue, Acct 5301.8

	Monthly Forecast
Forecast Period	Dec 2003
Forecast Amount	69,545
Multiplier	12
Annual Amount	*834,541*
Actual 2003 Expense	1,380,138
Revenue Increase (Decrease)	**(545,597)**

Regression Results

R Square	***0.8798***
Independent Variable T-Scores	
Period Number	19.45

Year	Amount	Period Nbr
2001	2,139,034	1
2002	2,420,606	2
2003	1,380,138	3

Period	Amount	Period Nbr
200101	0	1
200102	0	2
200103	0	3
200104	0	4
200105	0	5
200106	262,077	6
200107	319,691	7
200108	286,852	8
200109	297,310	9
200110	283,781	10
200111	355,541	11
200112	333,783	12
200201	198,170	13
200202	301,162	14
200203	266,408	15
200204	239,972	16
200205	195,906	17
200206	180,884	18
200207	182,315	19
200208	182,793	20
200209	170,173	21
200210	154,846	22
200211	167,245	23
200212	180,731	24
200301	147,162	25
200302	158,579	26
200303	130,037	27
200304	98,392	28
200305	85,550	29
200306	86,182	30
200307	103,534	31
200308	201,885	32
200309	135,170	33
200310	23,909	34
200311	107,603	35
200312	102,134	36

SUMMARY OUTPUT - MONTHLY REGRESSION

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.879828
R Square	**0.774097**
Adjusted R Square	0.766307
Standard Error	40651.32
Observations	31

ANOVA

	df	*SS*	*MS*	*F*
Regression	1	1.64E+11	1.64E+11	99.37364
Residual	29	4.79E+10	1.65E+09	
Total	30	2.12E+11		

	Coefficients	*andard Erro*	*t Stat*	*P-value*
Intercept	362490.6	18632.35	19.45491	3.47E-18
X Variable 1	-8137.376	816.2981	**-9.968633**	7.09E-11

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-04

Arizona Corporation Commission
Docket No.
Title: Post-Test-Year Rate Changes
Time: 2:37 PM
Date: 5/13/2004
Adj. # PFN-04

Qwest Corporation

Arizona Intrastate Operations
Normalizing Adjustment

Post-Test-Year Rate Changes

Test Year Ending December 31, 2003

$(000)

Operating Revenues	(18,300)
Operating Expenses	0
Total Operating Income Taxes	(7,180)
Net Operating Income	(11,120)
Rate Base	0
Revenue Requirement	18,767

This adjustment adds the annual impact of the rate reductions effective 4/1/04.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 2:37 PM
PFN-04

		Post-Test-Year Rate Changes
Revenues		
1	Local Service Revenues	(13,300)
2	Network Access Service Revenues	(5,000)
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	(18,300)
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	(18,300)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(5,988)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(1,192)
26	**Net Operating Income (L23-L24-L25)**	(11,120)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(11,120)
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(11,120)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Post Test Year Rate Changes

Line #	Description	Source	Amount
Revenues			
1	Local Revenue		-13,300,000
2	Access Revenue		-5,000,000
3	**Total Revenue**		**-18,300,000**

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-05

Qwest Corporation

Arizona Intrastate Operations
Normalizing Adjustment

Wage and Salary Rates

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	205
Total Operating Income Taxes	(80)
Net Operating Income	(124)
Rate Base	0
Revenue Requirement	210

This adjustment removes the impact of an accrued liability for franchise taxes collected for TRS.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 2:38 PM
PFN-05

		Wage and Salary Rates
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	66
7	Engineering Expense	20
8	Network Operations	29
9	Network Administration	1
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	116
13	Customer Operations	72
14	Corporate Operations	16
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	89
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	205
23	Income From Operations (L5-L22)	(205)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(67)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(13)
26	**Net Operating Income (L23-L24-L25)**	(124)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(124)
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(124)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base**	0
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

		INPUT SHEET					
		Blue = Inputs		ARIZONA	- TOTAL STATE OPERATIONS		
				Year	Year		
		Source	Phone	2003	2004		Backup
1	MGMT SALARY INCREASE	JEFFERY HAYNES	303-992-6162	3.0000%	0.0000%	% of salary	See "Mgmt Sal Incr" Tab
			Effective Date:	3/2/2003	N/A	Effective Date	
	OCCUPATIONAL SALARY INCREASE	CWA CONTRACT	N/A	0.0000%	0.0000%	% of salary	See Occ. Contract -
	Occupational salary increases from contract.						(Aug 17, 2003 Page 206)
2	FICA - MANAGEMENT						
	- MEDICARE	CHARLES RANGEL	303-458-3252			% of salary	
	- RELATED FICA IMPACT	CHARLES RANGEL	303-458-3252			% of salary	
	TOTAL EFFECTIVE RATE			7.4133%	7.4133%	% of salary	See "FICA" tab
	FICA - OCCUPATIONAL			Actual rates	Actual rates		
	- MEDICARE	FICA Rates		6.20%	6.20%	% of salary	No adjustments
	- RELATED FICA IMPACT	FICA Rates		1.45%	1.45%	% of salary	No adjustments
	TOTAL RATE			7.65%	7.65%	% of salary	
3	RELATED SAVINGS PLAN IMPACT						
	MANAGEMENT PLAN	TSOF		1.9367%	1.9367%	% of salary	"MgmtSavingsPlan" Tab
	OCCUPATIONAL PLAN	TSOF		2.4741%	2.4741%	% of salary	"OccSavingsPlan" Tab
4	RELATED GROUP LIFE IMPACT						
	MANAGEMENT PLAN	GARY COGBURN	303-793-6454	0.2502%	0.1980%	% of salary	"GroupLife" Tab
	OCCUPATIONAL PLAN	GARY COGBURN	303-793-6454	0.2502%	0.1980%	% of salary	"GroupLife" Tab

QWEST CORPORATION
TOTAL STATE OPERATIONS

A1 - MANAGEMENT

2003 ANNUALIZATION ADJUSTMENT OF SALARY INCREASES
(Whole Dollars)

EVENT:	ANNUALIZATION OF MANAGEMENT SALARY INCREASE
COMPOSITE INCREASE ASSUMPTION:	3.00%
EFFECTIVE DATE OF INCREASE:	3/2/2003
MONTHS INCLUDED IN ADJUSTMENT:	2

		2003 JAN - FEBR MANAGEMENT SALARIES (Prior to Salary Incr.)	Remove JAN - FEBR COMPUTER SOFTWARE MANAGEMENT SALARIES - CT1 EXTC CT1 (CT1 Tab)	Remove RECLASS CLEARANCE SUB-ACCOUNT (Acct 6512 Tab)	2003 JAN - FEBR ADJUSTED MANAGEMENT SALARIES	2003 JAN - FEBR MANAGEMENT SALARY INCREASE (To: A2-04 mgmt)	RELATED FICA IMPACT (% of Salary)	RELATED SAVINGS PLAN IMPACT (% of Salary)	RELATED GROUP LIFE IMPACT (% of Salary)	2003 ARIZONA INTRASTATE INCREMENTAL SALARY CHANGE	Intrastate Factor
	Source Tab =	(Febr 03 YTD Mgmt)									
EXPENSES		[A]	[B]	(C)	[D] = A-B-C	[E]=D x %	[F]=E x %	[G]=E x %	[H]=E x %	[I]=[E+F+G+H]*J	[J]
					RATE =	3.00%	7.4133%	1.9367%	0.2502%		
1	MAINTENANCE (6100 thru 6400+6531+6533)	2,714,730		10,237	2,704,493	81,135	6,015	1,571	203	66,234	74.48%
2	ENGINEERING (6535)	837,731			837,731	25,132	1,863	487	63	19,978	72.53%
3	NETWORK OPERATIONS (6534)	1,185,181			1,185,181	35,555	2,636	689	89	28,863	74.07%
4	NETWORK ADMINISTRATION (6532)	43,370			43,370	1,301	96	25	3	1,036	72.63%
5	OTHER PROPERTY,PLANT & EQUIP. (6512)	(10,237)		(10,237)	0	0	0	0	0	0	24.76%
6	CUSTOMER OPERATIONS (6600)	2,729,194			2,729,194	81,876	6,070	1,586	205	72,245	80.51%
7	EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)	22,003			22,003	660	49	13	2	573	79.15%
8	ACCOUNTING & FINANCE (6721)	395,607			395,607	11,868	880	230	30	10,296	79.15%
9	EXTERNAL RELATIONS (6722)	51,088			51,088	1,533	114	30	4	1,330	79.15%
10	HUMAN RESOURCES (6723)	121,532			121,532	3,646	270	71	9	3,163	79.15%
11	INFORMATION MANAGEMENT (6724)	(785,844)	(820,060)		34,216	1,026	76	20	3	890	79.15%
12	OTHER CORPORATE (6726+6727+6728+8747)	3,051			3,051	92	7	2	0	79	79.15%
13	TOTAL OPERATING EXPENSES	7,307,406	(820,060)	0	8,127,466	243,824	18,075	4,722	610	204,687	

QWEST CORPORATION
TOTAL STATE OPERATIONS

A2 - MANAGEMENT

2004 PRO FORMA ADJUSTMENTS OF SALARY INCREASES
(Whole Dollars)

EVENT: 12-MONTH PRO FORMA OF MANAGEMENT SALARY INCREASE

		2004
	COMPOSITE INCREASE ASSUMPTION:	0.00%
	EFFECTIVE DATE OF INCREASE:	N/A
	MONTHS INCLUDED IN PRO FORMA ADJUSTMENT:	12

	EXPENSES	2003 JAN - DEC. MANAGEMENT SALARIES (Dec 03 YTD)	Remove JAN - DEC. 2003 COMPUTER SOFTWARE MANAGEMENT SALARIES EXTC CT1 (CT1 Tab)	Remove ADJUST CLEARANCE SUB-ACCOUNT (Acct 6512 Tab)	ADJUSTED 2003 JAN - DEC. MANAGEMENT SALARIES	Add 2003 JAN - FEBR MANAGEMENT INCREASE (From A1-03mgmt)	2003 JAN - DEC. MANAGEMENT SALARIES WITH MGMT INCREASE	ADJUSTED 2003 JAN - DEC OCCUP WAGES WITH WAGE INCR. ADJ.	RELATED FICA IMPACT (% of Sal.)	RELATED SAVINGS PLAN IMPACT (% of Sal.)	RELATED GROUP LIFE IMPACT (% of Sal.)	2004 ARIZONA TOTAL STATE PRO FORMA SALARY INCR.
	Source Tab =											
		[A]	[B]	[C]	[D]=A-B-C	[E]	[F]=D+E	[G]=F x %	[H]=G x %	[I]=G x%	[J]=G x %	[K]=G+H+I+K
							RATE =	0.00%	7.4133%	1.9367%	0.1980%	
1	MAINTENANCE (5100 thru 6400+6531+6533)	11,817,140		17,191	11,799,949	81,135	11,881,084	0	0	0	0	0
2	ENGINEERING (6535)	6,593,589			6,593,589	25,132	6,618,721	0	0	0	0	0
3	NETWORK OPERATIONS (6534)	11,796,253			11,796,253	35,555	11,831,808	0	0	0	0	0
4	NETWORK ADMINISTRATION (6532)	228,351			228,351	1,301	229,652	0	0	0	0	0
5	OTHER PROPERTY,PLANT & EQUIP. (6512)	(17,191)		(17,191)	0	0	0	0	0	0	0	0
6	CUSTOMER OPERATIONS (6600)	17,734,253			17,734,253	81,876	17,816,129	0	0	0	0	0
7	EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)	121,531			121,531	660	122,192	0	0	0	0	0
8	ACCOUNTING & FINANCE (6721)	2,504,261			2,504,261	11,868	2,516,130	0	0	0	0	0
9	EXTERNAL RELATIONS (6722)	252,203			252,203	1,533	253,735	0	0	0	0	0
10	HUMAN RESOURCES (6723)	744,175			744,175	3,646	747,821	0	0	0	0	0
11	INFORMATION MANAGEMENT (6724)	(4,370,864)	(4,557,781)		186,917	1,026	187,944	0	0	0	0	0
12	OTHER CORPORATE (6726+6727+6728+8747)	12,325			12,325	92	12,416	0	0	0	0	0
13	TOTAL OPERATING EXPENSES	47,416,027	(4,557,781)	0	51,973,808	243,824	52,217,632	0	0	0	0	0

QWEST CORPORATION
TOTAL STATE OPERATIONS

A4 - OCCUPATIONAL

2004 PRO FORMA ADJUSTMENT OF WAGE & SALARY INCREASES
(Whole Dollars)

EVENT:	12-MONTH PRO FORMA OF OCCUPATIONAL WAGE INCREASE	2003
	ESTIMATED WAGE INCREASE , Subject to contract negotiations	0.00%
	EFFECTIVE DATE OF INCREASE:	N/A
	MONTHS INCLUDED IN PRO FORMA ADJUSTMENT	12

		2003 JAN - DEC OCCUP. WAGES	Remove JAN - DEC. 2003 COMPUTER SOFTWARE OCCUP. SALARIES EXTC CT1	Remove RECLASS CLEARANCE SUB-ACCOUNT	Add RECLASS COMPENSATED ABSENCE Dec-03	Remove RECLASS CLEARANCE SUB-ACCOUNT	ADJUSTED 2003 JAN - DEC OCCUP WAGES		ADJUSTED 2003 JAN - DEC OCCUP WAGES WITH WAGE INCR. ADJ.	OCCUPATIONAL WAGE INCREASE (% Increase)	RELATED FICA IMPACT (% of Sal.)	RELATED SAVINGS PLAN IMPACT (% of Sal.)	RELATED GROUP LIFE IMPACT (% of Sal.)	2004 ARIZONA TOTAL STATE PRO FORMA WAGE INCR
	Source Tab:	(Dec 03 YTD)	(CT1 Tab)	(Acct 6512 Tab)	(Acct 6728.99)	(Acct 6535 Tab)								
	EXPENSES	[A]	[B]	[C]	[D]	[E]	[F]=A-B-C+D-E	[G]	[H]=F+G	[I]=H x %	[J]=I x %	[K]=I x %	[L]=I x %	[M]=I+J+K+L
									RATE =	0.00%	7.65%	2.4741%	0.1980%	
1	MAINTENANCE (6100 thru 6400+6531+6533)	140,698,459		196,819	(6,304)	1,053,718	139,441,618		139,441,618	0	0	0	0	0
2	ENGINEERING (6535)	(955,121)			(7,072)	(1,053,718)	91,525		91,525	0	0	0	0	0
3	NETWORK OPERATIONS (6534)	31,499,796			(1,250,226)		30,249,570		30,249,570	0	0	0	0	0
4	NETWORK ADMINISTRATION (6532)	1,332,149			(1,720)		1,330,429		1,330,429	0	0	0	0	0
5	OTHER PROPERTY PLANT & EQUIP. (6512)	(196,819)		(196,819)	0		(0)		(0)	0	0	0	0	0
6	CUSTOMER OPERATIONS (6600)	61,153,861			(419,429)		60,734,431		60,734,431	0	0	0	0	0
7	EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)	0			0		0		0	0	0	0	0	0
8	ACCOUNTING & FINANCE (6721)	1,022,253			(6,867)		1,015,386		1,015,386	0	0	0	0	0
9	EXTERNAL RELATIONS (6722)	48,253			(323)		47,930		47,930	0	0	0	0	0
10	HUMAN RESOURCES (6723)	100,360			(544)		99,816		99,816	0	0	0	0	0
11	INFORMATION MANAGEMENT (6724)	(7,687,063)	(8,224,348)		(2,367)		334,919		334,919	0	0	0	0	0
12	OTHER CORPORATE (6726+6727+6728+8747)	(1,578,355)			1,694,852		116,497		116,497	0	0	0	0	0
13	**TOTAL OPERATING EXPENSES**	225,237,773	(8,224,348)	0	0	0	233,462,121	0	233,462,121	0	0	0	0	0

Accoun 6728.99 **Compensated Absence True-up**

To record Vacation accrual true up for 2003. See attached analysis for details on this entry. Questions call Karin Tweten (303) 965-2364.

ENTP	ENTPDESC	YEAR	MONTH	CPIO	JEO	SEQNUM	ACTY	PRCSS	CPIM	EGID	RLSE_DA	NAME	EMPHONE	APVRNAM
USWC	USWC - QW	2003	12	GL	HQ	30	0130	9999	CORPBOO	200401000	2004-01-13	BIGGS, VIC	303-965-10	MENDOZA
USWC	USWC - QW	2003	12	GL	HQ	30	0130	9999	CORPBOO	200401000	2004-01-13	BIGGS, VIC	303-965-10	MENDOZA
USWC	USWC - QW	2003	12	GL	HQ	30	0130	9999	CORPBOO	200401000	2004-01-13	BIGGS, VIC	303-965-10	MENDOZA

True up	(9,975,182)
6728.99 AZ Prorate	0.17011
AZ Portion	(1,696,878)

	Incurred Occ Wages	AZ Portion	Expense Spread	o A4-04occup Tab Respread
MAINTENANCE (6100 thru 6400+6531+6533)	919,202		(6,304)	(6,304)
ENGINEERING (6535)	1,031,250		(7,072)	(7,072)
NETWORK OPERATIONS (6534)	182,299,942		(1,250,226)	(1,250,226)
NETWORK ADMINISTRATION (6532)	250,737		(1,720)	(1,720)
OTHER PROPERTY,PLANT & EQUIP. (6512)	0		0	0
CUSTOMER OPERATIONS (6600)	61,158,480		(419,429)	(419,429)
EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)	0		0	0
ACCOUNTING & FINANCE (6721)	1,001,315		(6,867)	(6,867)
EXTERNAL RELATIONS (6722)	47,114		(323)	(323)
HUMAN RESOURCES (6723)	79,346		(544)	(544)
INFORMATION MANAGEMENT (6724)	345,076		(2,367)	(2,367)
OTHER CORPORATE (6726+6727+6728+8747)	295,428	(1,696,878)	(2,026)	1,694,852
TOTAL	247,427,889		(1,696,878)	0

APVPHON	EVT_GRP	EVT_GRP	EVT_GRP	JEC	ADRS	ACCOUNT	EXTC	ACCTST	RCO	RCC	REFID	AMT
303-896-63	To record Vacation accrual true up			HQ	900000	13509000	CY1		TDE11000	T0CD0000	000002850	4233348
303-896-63	To record Vacation accrual true up			HQ	900000	41204100	CY1		TDE11000	T0CD0000	000002850	5741834
303-896-63	To record Vacation accrual true up			HQ	900000	67289900	193		TDE11000	T0CD0000	000002850	-9975182

JEC	AZ
EXTC	(All)
CPIM	(All)
JAPC	S
EMPID	O

PAGE 1

BUSINESS SYSTEMS AND SOLUTIONS

DATABASE: GLHISTRY / DATE: 2004/04/28 / TIME: 15.35.03

REPORT PERIOD FROM 01/03 TO 12/03

Total AZ Occupational Salaries	
MAINTENANCE (6100 thru 6400+6531+6533)	919,202
ENGINEERING (6535)	1,031,250
NETWORK OPERATIONS (6534)	182,299,942
NETWORK ADMINISTRATION (6532)	250,737
OTHER PROPERTY,PLANT & EQUIP. (6512)	
CUSTOMER OPERATIONS (6600)	61,158,480
EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)	
ACCOUNTING & FINANCE (6721)	1,001,315
EXTERNAL RELATIONS (6722)	47,114
HUMAN RESOURCES (6723)	79,346
INFORMATION MANAGEMENT (6724)	345,076
OTHER CORPORATE (6726+6727+6728+8747)	295,428
TOTAL	247,427,889

To "Acct 6728.99" Tab

Sum of AMT	
MAIN	Total
6124	919,202
6532	250,737
6534	182,299,942
6535	1,031,250
6611	56,883
6612	735,962
6621	898,968
6622	6,856,032
6623	52,610,635
6721	1,001,315
6722	47,114
6723	79,346
6724	345,076
6728	295,428
Grand Total	247,427,889

JEC	MAIN	EXTC	CPIM	JAPC	EMPID	AMT
AZ	6124	111	PAYCHECK	S	O	-25,411.96
AZ	6124	111	PAYQ32	S	O	750,254.46
AZ	6124	121	PAYCHECK	S	O	-568.98
AZ	6124	121	PAYQ32	S	O	9,748.57
AZ	6124	122	PAYCHECK	S	O	-1,200.25
AZ	6124	122	PAYQ32	S	O	35,769.40
AZ	6124	132	PAYQ32	S	O	18,738.25
AZ	6124	133	PAYCHECK	S	O	-2,317.54
AZ	6124	133	PAYQ32	S	O	87,187.14
AZ	6124	134	PAYCHECK	S	O	-1,178.21
AZ	6124	134	PAYQ32	S	O	33,705.92
AZ	6124	139	PAYCHECK	S	O	-199.93
AZ	6124	139	PAYQ32	S	O	513.73
AZ	6124	149	PAYCHECK	S	O	-317.19
AZ	6124	149	PAYQ32	S	O	14,003.30
AZ	6124	19E	PAYQ32	S	O	414.4
AZ	6124	199	PAYQ32	S	O	60.66
AZ	6532	111	PAYCHECK	S	O	-5,929.14
AZ	6532	111	PAYQ32	S	O	214,176.17
AZ	6532	121	PAYCHECK	S	O	-14.05
AZ	6532	121	PAYQ32	S	O	1,674.28
AZ	6532	122	PAYCHECK	S	O	-30.02
AZ	6532	122	PAYQ32	S	O	2,929.26
AZ	6532	132	PAYQ32	S	O	5,650.75
AZ	6532	133	PAYCHECK	S	O	-195.5
AZ	6532	133	PAYQ32	S	O	21,240.35
AZ	6532	134	PAYCHECK	S	O	-165.73
AZ	6532	134	PAYQ32	S	O	6,140.73
AZ	6532	139	PAYCHECK	S	O	-32.88
AZ	6532	139	PAYQ32	S	O	70.34
AZ	6532	149	PAYCHECK	S	O	-94.55
AZ	6532	149	PAYQ32	S	O	3,271.02
AZ	6532	199	PAYQ32	S	O	46.35
AZ	6534	111	PAYCHECK	S	O	-3,800,083.73
AZ	6534	111	PAYQ32	S	O	133,396,104.81
AZ	6534	121	PAYCHECK	S	O	-179,214.64
AZ	6534	121	PAYQ32	S	O	14,740,865.63
AZ	6534	122	PAYCHECK	S	O	-148,823.46
AZ	6534	122	PAYQ32	S	O	15,199,696.24
AZ	6534	123	PAYQ32	S	O	4,155.75
AZ	6534	132	PAYQ32	S	O	3,462,365.53
AZ	6534	133	PAYCHECK	S	O	-196,957.01
AZ	6534	133	PAYQ32	S	O	10,905,741.99

			Adjustments to reclass overclearances in occupational provisioning expense						
	Salaries information from the "Salaries 2003" Tab								
								MAIN	CRAFT
					Total Year 2003			----	-----
6535	AZ	CFD	S	2003	(3,513,034)		12 months		0.0487793
6535	AZ	CFD	S	2003	0		(21,601,716)	6535	(1,053,718)
6535	AZ	CFW	S	2003	(591)				To A4-04occup
6535	AZ	CF1	S	2003	(11,873,513)				
6535	AZ	CF2	S	2003	(11,002)			craft only	
6535	AZ	CF3	S	2003	(2,060,375)				
6535	AZ	CF4	S	2003	(2,566,183)				
6535	AZ	CF6	S	2003	(1,577,017)				
TOTAL					(21,601,716)				

MAIN	6535						
EXTC	(All)						
JAPC	S						
YEAR	2003						
ON/OFF							
Sum of YTD	0/M						
STATE	M	O	Grand Total		M	O	Grand Total
AZ	21,107,287	1,082,398	22,189,685		21,107,287	1,082,398	22,189,685
CO	50,128,385	8,138,053	58,266,438		0.9512207	0.0487793	1.0000000
HQ	0	0	0		(Ratios posted to Acct 6535 Tab)		
IA	3,998,966	512,671	4,511,636				
ID	2,736,357	171,156	2,907,512				
IP	38,659	4,933	43,592				
MN	15,414,391	1,305,501	16,719,892				
MT	1,575,437	284,268	1,859,706				
ND	797,297	83,077	880,374				
NE	2,798,406	188,149	2,986,555				
NM	4,473,946	261,338	4,735,285				
OR	6,499,796	761,508	7,261,305				
SD	996,814	106,047	1,102,861				
UT	5,792,286	948,030	6,740,315				
WA	12,850,798	1,278,681	14,129,479				
WY	1,063,513	143,675	1,207,188				
Grand Total	130,272,338	15,269,486	145,541,823				

Adjustments to reclass overclearances in provisioning expense

PAGE 1

BUSINESS SYSTEMS AND SOLUTIONS
DATABASE: GLHISTRY / DATE: 2004/04/27 / TIME: 11.17.01
REPORT PERIOD FROM 01/03 TO 12/03

JEC	MO	MAIN	SUB	FRC	EXTC	JAPC	AMT				
---	--	----	---	---	----	----	---				
AZ	1	6512	1000	180000	CQ5	S	(137,664.24)	FRC			
AZ	1	6512	1000	190000	CMP	S	98,483.49	*180000*		*Craft*	*Management*
AZ	2	6512	1000	180000	CQ5	S	(172,464.99)	2 months		0.91861441	0.08138559
AZ	2	6512	1000	190000	CMP	S	85,859.46	(125,786)	6512	(115,549)	(10,237)
AZ	3	6512	1000	180000	CQ5	S	(162,899.26)				To A2-03mgmt
AZ	3	6512	1000	190000	CMP	S	71,555.09				
AZ	4	6512	1000	180000	CQ5	S	(66,243.91)				
AZ	4	6512	1000	190000	CMP	S	79,345.96				
AZ	5	6512	1000	180000	CQ5	S	(92,434.39)				
AZ	5	6512	1000	190000	CMP	S	78,764.54				
AZ	6	6512	1000	180000	CQ5	S	(80,823.42)				
AZ	6	6512	1000	190000	CMP	S	76,943.58				
AZ	7	6512	1000	180000	CQ5	S	(61,816.92)				
AZ	7	6512	1000	190000	CMP	S	82,083.32				
AZ	8	6512	1000	180000	CQ5	S	(111,972.18)				
AZ	8	6512	1000	190000	CMP	S	82,791.20				
AZ	9	6512	1000	180000	CQ5	S	(67,194.13)				
AZ	9	6512	1000	190000	CMP	S	83,846.05				
AZ	10	6512	1000	180000	CQ5	S	(106,319.90)				
AZ	10	6512	1000	190000	CMP	S	118,883.38			Craft	Management
AZ	11	6512	1000	180000	CQ5	S	(121,731.95)	12 months		0.91967226	0.08032774
AZ	11	6512	1000	190000	CMP	S	96,130.78	(214,010)	6512	(196,819)	(17,191)
AZ	12	6512	1000	180000	CQ5	S	(79,120.98)			**196,819**	
AZ	12	6512	1000	190000	CMP	S	91,989.16			To A4-04occup	To A2-04mgmt
TOTAL							(214,010.26)				

Management Salary Increase

2003	Effective 3/2/2003	3%
2004	No increase	0%

RE: 2002 and 2003 Management Salary Increases - inbox - Netscape Folder

File Edit View Go Message Communicator Help

Get Msg New Msg Reply Reply All Forward File Next Print Delete Stop

Name | Subject | Sender | Date | Status

Local Mail
- inbox
- Unsent Messages
- Drafts
- Templates
- Sent
- Trash
- 2001
- 2002
- Appraisal
- BUAM
- Lotus Notes
- New Junction
- NSEP
- Personal
- Salary Info
- Vets
- news

Subject	Sender	Date	Status
Computer Study Account 2124	Kathleen Rowland	2/10/03 4:13 PM	replied
Re: 2002 and 2003 Management Salary...	Erving, Andrea	2/10/03 3:00 PM	replied

Subject: RE: 2002 and 2003 Management Salary Increases
Date: Mon, 10 Feb 2003 14:00:21 -0700
From: "Erving, Andrea" <Andrea.Erving@qwest.com>
To: "Marsh, Doug" <dlmarsh@qwest.com>
CC: "McCormick, Brenda" <Brenda.McCormick@qwest.com>, "Haynes, Jeffrey" <Jeffrey.Haynes@qwest.com>

We paid the 2002 Merit increase on 6/28, it was retro back to 4/1/2002 effective date. The budget was 1.9%.

2003 Merit increase will be paid on 3/21, effective on 3/2. The budget is 3%

Andrea

-----Original Message-----
From: Haynes, Jeffrey
Sent: Monday, February 10, 2003 1:34 PM
To: Marsh, Doug
Cc: Erving, Andrea; McCormick, Brenda
Subject: RE: 2002 and 2003 Management Salary Increases

Add McCormick, Brenda to your Address Book

Start | Home - Netscape | RE: 2002 and 20... | Exploring - Salary | Microsoft Excel - 00 | 10:47 AM

Subject:
Re: 2002 and 2003 Management Salary Increases
Date:
Mon, 10 Feb 2003 15:02:47 -0600
From:
Doug Marsh <dlmarsh@qwest.com>
Organization:
U S WEST Communications, Inc
To:
"Erving, Andrea" <Andrea.Erving@qwest.com>
References:
1

Erving, Andrea wrote:

> We paid the 2002 Merit increase on 6/28, it was retro back to 4/1/2002
> effective date. The budget was 1.9%.
>
> 2003 Merit increase will be paid on 3/21, effective on 3/2. The budget is
> 3%
>
> Andrea
>
> -----Original Message-----
> From: Haynes, Jeffrey
> Sent: Monday, February 10, 2003 1:34 PM
> To: Marsh, Doug
> Cc: Erving, Andrea; McCormick, Brenda
> Subject: RE: 2002 and 2003 Management Salary Increases
>
> Doug:

>
> Happy to help....
>
> Andrea/Brenda: can you work with Doug on this?
>
> Thanks
>
> Jeff
>
> -----Original Message----
> From: Doug Marsh [mailto:dimarsh@qwest.com]
> Sent: Monday, February 10, 2003 1:03 PM
> To: Haynes, Jeffrey
> Subject: 2002 and 2003 Management Salary Increases
>
> Jeff.
>
> Once again, I am starting to put together information on salaries to report
> to Colorado and I am requesting your assistance.
>
> 2002
> Last year, 2002, I believe the salary increase was effective the end of
> March, but wasn't it retro ? What I need to know for my numbers is
> when it was effective, if it was retro and to when. Also I need to know what
> the percentage increase was as a "total increase to the company salaries"
> percentage.
>
> 2003
> For 2003, I also need to know when it will be effective and a percentage.
>
> Thanks much, Doug Marsh

Doug Marsh
<dimarsh@qwest.com>
Work: 402-422-4670

Additional Information:
Last Name
Marsh
First Name
Doug
Version
2.1

RE: 2003 and 2004 Wages and Salaries % Increases - Message (Rich Text) - US-ASCII

File Edit View Insert Format Tools Actions Help

Reply | Reply to All | Forward

From: Erving, Andrea
To: Marsh, Doug
Cc: Haynes, Jeffrey; McCormick, Brenda
Subject: RE: 2003 and 2004 Wages and Salaries % Increases

Sent: Mon 3/2[illegible]:00 PM

At this time there is no merit increase planned for 2004.

-----Original Message-----
From: Marsh, Doug
Sent: Monday, March 22, 2004 12:45 PM
To: Erving, Andrea
Cc: Haynes, Jeffrey; McCormick, Brenda
Subject: RE: 2003 and 2004 Wages and Salaries % Increases

Sorry, I 'm confused. There is none of what planned for 2004?

Thank you, Doug Marsh

-----Original Message-----
From: Erving, Andrea
Sent: Monday, March 22, 2004 11:02 AM
To: Marsh, Doug
Cc: Haynes, Jeffrey; McCormick, Brenda
Subject: RE: 2003 and 2004 Wages and Salaries % Increases

Doug:

There is none planned for 2004.

Andrea Erving
303.992.6214

-----Original Message-----

Start | Inbox... | L:\Ra... | AZ sal... | Christi... | TX RO... | Taxpa... | TSOF... | RE: 2... | 6:42 PM

Erving, Andrea
Monday, March 22, 2004 2:00 PM
Marsh, Doug
Haynes, Jeffrey; McCormick, Brenda
RE: 2003 and 2004 Wages and Salaries % Increases

At this time there is no merit increase planned for 2004.

-----Original Message-----
Marsh, Doug
Monday, March 22, 2004 12:45 PM
Erving, Andrea
Haynes, Jeffrey; McCormick, Brenda
RE: 2003 and 2004 Wages and Salaries % Increases

Sorry, I 'm confused. There is none of what planned for 2004?

Thank you, Doug Marsh

-----Original Message-----
Erving, Andrea
Monday, March 22, 2004 11:02 AM
Marsh, Doug
Haynes, Jeffrey; McCormick, Brenda
RE: 2003 and 2004 Wages and Salaries % Increases

Doug:

There is none planned for 2004.

Andrea Erving
303.992.6214

-----Original Message-----

Marsh, Doug
Saturday, March 20, 2004 10:58 AM
Erving, Andrea
Haynes, Jeffrey; McCormick, Brenda
2003 and 2004 Wages and Salaries % Increases

Andrea:

I am in the process of developing adjusted wages and salaries for a case in AZ. Can you please provide me with salary and wages % increases for 2003 and 2004. I need to know what the percentage increase was as a "total increase to the company (mgmt or occ)salaries or wages" percentage, when they went into effect and broken down into management and occupational. Also please let me know if any of it was retro.
Thanks, Doug Marsh
402-422-4670

(Below is what you provided me with last year and your message.)

Subject:
Re: 2002 and 2003 Management Salary Increases
Date:
Mon, 10 Feb 2003 15:02:47 -0600
From:
Doug Marsh <dlmarsh@qwest.com>
Organization:
U S WEST Communications, Inc
To:
"Erving, Andrea" <Andrea.Erving@qwest.com>
References:
1

Erving, Andrea wrote:

> We paid the 2002 Merit increase on 6/28, it was retro back to 4/1/2002
> effective date. The budget was 1.9%.
>
> 2003 Merit increase will be paid on 3/21, effective on 3/2. The budget is
> 3%
>
> Andrea
>
> -----Original Message-----
> From: Haynes, Jeffrey
> Sent: Monday, February 10, 2003 1:34 PM
> To: Marsh, Doug
> Cc: Erving, Andrea; McCormick, Brenda
> Subject: RE: 2002 and 2003 Management Salary Increases
>
> Doug:
>
> Happy to help....
>
> Andrea/Brenda: can you work with Doug on this?
>
> Thanks
>
> Jeff
>
> -----Original Message-----
> From: Doug Marsh [mailto:dlmarsh@qwest.com]
> Sent: Monday, February 10, 2003 1:03 PM
> To: Haynes, Jeffrey
> Subject: 2002 and 2003 Management Salary Increases
>
> Jeff:
>
> Once again, I am starting to put together information on salaries to report
> to Colorado and I am requesting your assistance.
>
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> Last year, 2002, I believe the salary increase was effective the end of
> March, but wasn't it retro ? What I need to know for my numbers is
> when it was effective, if it was retro and to when. Also I need to know what
> the percentage increase was as a "total increase to the company salaries"
> percentage.
>
> 2003
> For 2003, I also need to know when it will be effective and a percentage.
>
> Thanks much, Doug Marsh

FICA Rates and Earnings Website: http://www.ssa.gov/

Answer - Microsoft Internet Explorer

Security information is as follows.

Tax Rate	2003	2004
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

NOTE: The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the *applicable* taxable maximum amount (see below). The Medicare portion (HI) is 1.45% on all earnings.

Maximum Earnings Taxable:	2003	2004
Social Security (OASDI only)	$87,000	$87,900
Medicare (HI only)	No Limit	

Quarter of Coverage:	2003	2004
Earnings required	$890	$900

Retirement Earnings Test Exempt Amounts:	2003	2004

Answer - Microsoft Internet Explorer provided by Qwest

Print Answer

E-mail This To a Friend

What is the maximum amount of earnings that are subject to Social Security tax (FICA)?

Answer

The 2003 contribution rate, also known as FICA tax, for employees and for self-employed people is:
(For comparison, 2001 and 2002 rates are also shown.)

	2001	2002	2003
Employee	7.65%	7.65%	7.65%
Self-Employed	15.30%	15.30%	15.30%

Maximum Earnings Taxable:	2001	2002	2003
Social Security (OASDI only)	$80,400	$84,900	$87,000
Maximum Tax Withheld	$4,984.80	$5,263.80	$5394
Medicare (HI only)	No Limit	No Limit	No Limit

NOTE: The 7.65% rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable maximum taxable amount (see below). The Medicare portion (HI) is 1.45% on all earnings.

FICA INPUTS

		2003 Limits $0-$ 7,250				2003 Limits $ 7,251 and up	
		2003				2003	
State	Wage Group	Number of QU6 Mgmt Employees	Total 2003 Gross	State	Wage Group	Number of QU6 Mgmt Employees	Total 2003 Gross
AZ	$0 to $7,250	1059	$ 53,783,230.41	AZ	$ 7,251 and up	77	$ 8,490,431.86
CO	$0 to $7,250	2018	$ 100,236,458.10	CO	$ 7,251 and up	186	$ 22,632,655.59
IA	$0 to $7,250	251	$ 13,281,038.13	IA	$ 7,251 and up	6	$ 721,295.59
ID	$0 to $7,250	157	$ 8,117,725.41	ID	$ 7,251 and up	4	$ 407,410.94
MN	$0 to $7,250	704	$ 38,130,052.47	MN	$ 7,251 and up	52	$ 6,433,711.65
MT	$0 to $7,250	54	$ 3,043,916.29	MT	$ 7,251 and up	3	$ 277,294.35
ND	$0 to $7,250	52	$ 2,334,234.24	ND	$ 7,251 and up	3	$ 347,344.42
NE	$0 to $7,250	285	$ 14,934,951.50	NE	$ 7,251 and up	21	$ 2,315,234.64
NM	$0 to $7,250	174	$ 8,892,129.85	NM	$ 7,251 and up	18	$ 2,166,646.62
OR	$0 to $7,250	282	$ 14,955,311.39	OR	$ 7,251 and up	22	$ 2,330,325.92
SD	$0 to $7,250	45	$ 2,040,907.36	SD	$ 7,251 and up	4	$ 554,081.41
UT	$0 to $7,250	339	$ 18,402,232.87	UT	$ 7,251 and up	31	$ 3,679,239.07
WA	$0 to $7,250	633	$ 33,646,916.34	WA	$ 7,251 and up	40	$ 4,351,113.72
WY	$0 to $7,250	62	$ 3,351,343.73	WY	$ 7,251 and up	4	$ 406,228.63
	TOTAL	6115	$ 315,150,448.09		TOTAL	471	$ 55,113,014.41
	$87,000	Annual amount				6586	$370,263,462.50
	12	months					
	$7,250	Monthly amount					
CA	$0 to $7,250	1	$ 29,105.91	AL	$ 7,251 and up	1	$ 124,423.11
GA	$0 to $7,250	1	$ 35,416.47	AR	$ 7,251 and up	1	$ 95,825.96
MA	$0 to $7,250	2	$ 152,824.53	CA	$ 7,251 and up	6	$ 1,098,381.38
MD	$0 to $7,250	1	$ 73,703.99	FL	$ 7,251 and up	1	$ 480,304.94
NJ	$0 to $7,250	1	$ 21,080.75	GA	$ 7,251 and up	1	$ 227,146.57
OK	$0 to $7,250	1	$ 53,438.25	IL	$ 7,251 and up	2	$ 668,179.45
TX	$0 to $7,250	181	$ 1,696,036.97	KS	$ 7,251 and up	1	$ 261,320.83
VA	$0 to $7,250	3	$ 135,240.75	MO	$ 7,251 and up	1	$ 203,762.22
				NC	$ 7,251 and up	1	$ 179,981.82
				NJ	$ 7,251 and up	2	$ 569,183.82
				NY	$ 7,251 and up	2	$ 371,863.59
				OH	$ 7,251 and up	2	$ 333,011.37
				OK	$ 7,251 and up	1	$ 242,761.78
				TX	$ 7,251 and up	6	$ 1,405,606.14
				VA	$ 7,251 and up	2	$ 328,435.15

State	Wage Group	Number of QC Mgmt Employees (See totals below)	2003 Total Mgmt Salaries EXTC (see at right) (See totals below)
	b	c	d
AZ	$0 to $7,250	1,059	$53,783,230.41
CO	$0 to $7,250	2,018	$100,236,458.10
IA	$0 to $7,250	251	$13,281,038.13
ID	$0 to $7,250	157	$8,117,725.41
MN	$0 to $7,250	704	$38,130,052.47
MT	$0 to $7,250	54	$3,043,916.29
ND	$0 to $7,250	52	$2,334,234.24
NE	$0 to $7,250	285	$14,934,951.50
NM	$0 to $7,250	174	$8,892,129.85
OR	$0 to $7,250	282	$14,955,311.39
SD	$0 to $7,250	45	$2,040,907.36
UT	$0 to $7,250	339	$18,402,232.87
WA	$0 to $7,250	633	$33,646,916.34
WY	$0 to $7,250	62	$3,351,343.73
ALL	$0 to $7,250	6,115	$315,150,448.09
AZ	$7,251 and up	77	$8,490,431.86
CO	$7,251 and up	186	$22,632,655.59
IA	$7,251 and up	6	$721,295.59
ID	$7,251 and up	4	$407,410.94
MN	$7,251 and up	52	$6,433,711.65
MT	$7,251 and up	3	$277,294.35
ND	$7,251 and up	3	$347,344.42
NE	$7,251 and up	21	$2,315,234.64
NM	$7,251 and up	18	$2,166,646.62
OR	$7,251 and up	22	$2,330,325.92
SD	$7,251 and up	4	$554,081.41
UT	$7,251 and up	31	$3,679,239.07
WA	$7,251 and up	40	$4,351,113.72
WY	$7,251 and up	4	$406,228.63
ALL	$7,251 and up	471	$55,113,014.41
AZ	Total	1,136	$62,273,662.27
CO	Total	2,204	$122,869,113.69
IA	Total	257	$14,002,333.72
ID	Total	161	$8,525,136.35
MN	Total	756	$44,563,764.12
MT	Total	57	$3,321,210.64
ND	Total	55	$2,681,578.66
NE	Total	306	$17,250,186.14
NM	Total	192	$11,058,776.47
OR	Total	304	$17,285,637.31
SD	Total	49	$2,594,988.77
UT	Total	370	$22,081,471.94
WA	Total	673	$37,998,030.06
WY	Total	66	$3,757,572.36
ALL	Total	6,586	$370,263,462.50

Qwest Corporation

Calculation of Effective FICA Rate

2003 Management FICA Calculation - using 2003 wages as base

Qwest Corporation Basis

		Base	Rate	Base/Mo.	Annual Max
					(.062 Rate)
	Social Security	$ 87,000	6.20%	$ 7,250	$ 5,394.00
	Medicare	NA	1.45%	NA	NA
			7.65%		

Management Salary up to $87,000

1	Mo.sal.to $7,250	315,150,448
2		-
3	Total Lines 1 and 2	315,150,448
4	FICA Percentage	7.65%
5	FICA Amount Line 3 * Line 4	24,109,009

Management Employees with Salary over $87,001

6		0
7	No.of Empl.w/Mo.sal.from $7,251 and up	471
8	Total Employees over $87,001 (L6 + L7)	471
9	Annual Maximum	$ 5,394.00
10	Line 8 * Line 9	2,540,574
11		-
12	Mo.sal.from $7,251 and up	55,113,014
13	Total Salary over $87,001 (L11 + L12)	55,113,014
14	Medicare Rate	1.45%
15	Medicare Amount (L13*L14)	799,139
16	Total Line 10 + Line 15	3,339,713
17	Total FICA (Line 5 + Line 16)	27,448,722
18	Total Management Salaries	370,263,463
19	**Effective Percentage Rate** (L17/L18)	**7.4133%**
		(to Input Sheet)

Information from Carlos Rangel - 303-458-3252

Date received: 4/27/2004

			Qwest Corporation		
			MANAGEMENT		
			COMPANY CONTRIBUTIONS - SAVINGS PLAN		
			2003 Payroll Information		
	Company	State	401K Match	Salary	PCT
		Source tab =	(EXTC 748 Tab)	EXTC1xx_2003 Tab)	
			A	B	C = A/B
	---	---	---	---	---
1	QU6	AZ	$ 1,474,918	$ 77,397,558	1.91%
2	QU6	CO	$ 2,065,500	$ 106,188,757	1.95%
3	QU6	IA	$ 425,469	$ 22,038,750	1.93%
4	QU6	ID	$ 207,228	$ 10,480,072	1.98%
5	QU6	IP	$ 7,169	$ 383,693	1.87%
6	QU6	MN	$ 1,106,157	$ 55,527,211	1.99%
7	QU6	MT	$ 146,216	$ 7,534,856	1.94%
8	QU6	ND	$ 85,223	$ 4,117,691	2.07%
9	QU6	NE	$ 225,055	$ 11,651,982	1.93%
10	QU6	NM	$ 367,365	$ 19,836,203	1.85%
11	QU6	OR	$ 588,266	$ 30,209,454	1.95%
12	QU6	SD	$ 103,782	$ 5,120,564	2.03%
13	QU6	UT	$ 503,098	$ 26,122,996	1.93%
14	QU6	WA	$ 1,084,518	$ 56,449,988	1.92%
15	QU6	WY	$ 107,753	$ 5,718,686	1.88%
			$ 8,497,717	$ 438,778,462	**1.94%**
					To Input Tab

			Qwest Corporation		
			OCCUPATIONAL		
			COMPANY CONTRIBUTIONS - SAVINGS PLAN		
			2003 Payroll Information		
	Company	State	401K Match	Wages	PCT
		Source tab =	(EXTC 748)	(EXTC1xx_2003)	
			A	B	C (A/B)
	---	---	---	---	---
1	QU6	AZ	$ 5,784,732	$ 260,266,175	2.22%
2	QU6	CO	$ 6,255,896	$ 259,957,570	2.41%
3	QU6	IA	$ 2,521,094	$ 98,868,087	2.55%
4	QU6	ID	$ 1,178,699	$ 48,016,205	2.45%
5	QU6	IP	$ 18,164	$ 1,337,650	1.36%
6	QU6	MN	$ 5,133,032	$ 194,292,722	2.64%
7	QU6	MT	$ 620,628	$ 23,546,026	2.64%
8	QU6	ND	$ 375,917	$ 14,167,837	2.65%
9	QU6	NE	$ 1,215,980	$ 44,996,523	2.70%
10	QU6	NM	$ 1,588,661	$ 68,559,231	2.32%
11	QU6	OR	$ 2,659,698	$ 108,270,477	2.46%
12	QU6	SD	$ 433,271	$ 16,537,362	2.62%
13	QU6	UT	$ 2,729,165	$ 105,186,796	2.59%
14	QU6	WA	$ 5,463,143	$ 211,209,528	2.59%
15	QU6	WY	$ 462,825	$ 17,687,559	2.62%
			$ 36,440,904	$ 1,472,899,748	**2.47%**
					To Input Tab

Group Life Rate

These rates apply to both management and occupational
The Basic Life and AD&D combine rate was $.139 per thousand per month through September and was reduced to $.110 per thousand per month for October through December 2003. This lower rate remains in effect today.

We are not self insured now.
Info. for Gary Cogburn

Monthly Salary	Qwest Salary Payout Rate		Insurance Company Rate .139 per $ 1000 per month		Monthly Rate	Months	Annual Rate
a	b	c	d	e	f	g	h
		a x b			(c x d)/e		f x g
			.139 per $ 1000 per month				
$1	1.5	$1.50	0.139	1000	0.0002085	12	**0.002502**
							To 2003 Input Tabs
			.110 per $ 1000 per month				
$1	1.5	$1.50	0.110	1000	0.000165	12	**0.001980**
							To 2004 Input Tabs

Information from Gary Cogburn 303-793-6454
Date received: 2/10/2003

RE: [Fwd: Re: [Fwd: Group Life Rate]] - Message (Plain Text)

File Edit View Insert Format Tools Actions Help

Reply | Reply to All | Forward

From: Cogburn, R
Sent: Mon 3/22/2004 2:25 PM
To: Douglas Marsh
Cc:
Subject: RE: [Fwd: Re: [Fwd: Group Life Rate]]

Doug

The Basic Life and AD&D combine rate was $.139 per thousand per month through September and was reduced to $.110 per thousand per month for October through December 2003. This lower rate remains in effect today.

Gary

-----Original Message-----
From: Douglas Marsh [mailto:dlmarsh@qwest.com]
Sent: Monday, March 22, 2004 12:52 PM
To: Cogburn, R
Cc: Marsh, Doug
Subject: [Fwd: Re: [Fwd: Group Life Rate]]

Gary:

Could you provide me with this same information for 2003?

Thanks much, Doug Marsh

-------- Original Message --------
Subject: Re: [Fwd: Group Life Rate]

Start | Inbox... | \Re... | AZ sal... | Christ... | TX RO... | Taxpa... | TSOF... | RE: [F... | 6:39 PM

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QWEST CORPORATION
ARIZONA — YTD DISTRIBUTED
YTD MONTH ENDING: FEB 2003 — WAGES & SALARIES

MAIN	CRAFT	MGMT	TOTAL
6112	(75,274)	(6,669)	(81,943)
6114			
6115			
6116	(9,159)	(811)	(9,970)
6121	98,997	10,049	109,046
6122	75	916	992
6123	77,567	6,872	84,439
6124	210,495	15,709	226,204
6211			
6212	3,025,618	276,537	3,302,155
6215			
6220			
6231	81,361	7,208	88,569
6232	2,873,728	300,581	3,174,309
6311	200,000	17,719	217,720
6341	405,372	35,914	441,286
6351	148,132	13,124	161,256
6362	3,198,814	283,402	3,482,217
6411	2,351	558	2,909
6421	2,246,721	203,831	2,450,552
6422	818,308	131,557	949,865
6423	11,104,832	1,158,430	12,263,262
6426	243,154	27,865	271,019
6431	1,904	172	2,076
6441	611	5,516	6,127
6512	(115,549)	(10,237)	(125,786)
6532	236,271	43,370	279,641
6533	2,553,717	226,249	2,779,967
6534	(1,750,400)	1,185,181	(565,219)
6535	(21,311)	837,731	816,420
6611	11,341	320,660	332,002
6612	44,349	382,522	426,871
6613			
6621	139,995	159,123	299,118
6622	1,220,226	309,969	1,530,195
6623	8,613,611	1,556,920	10,170,531
6711	0	22,003	22,003
6712			
6721	165,343	395,607	560,949
6722	7,621	51,088	58,709
6723	25,808	121,532	147,340
6724	(1,316,831)	(785,844)	(2,102,675)
6726			
6728	51,570	3,051	54,622
7360			
7370	9,702	78,085	87,787
8720	11,035	18,562	29,597
8747			
TOTAL	34,540,106	7,404,053	41,944,159

MAIN	CRAFT	MGMT	TOTAL
6512	(115,549)	(10,237)	(125,786)

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QWEST CORPORATION
ARIZONA — YTD DISTRIBUTED
YTD MONTH ENDING: FEB 2003 — WAGES & SALARIES

MAIN	MGMT	Line No.
6112	(6,669)	1
6114		1
6115		1
6116	(811)	1
6121	10,049	1
6122	916	1
6123	6,872	1
6124	15,709	1
6211		1
6212	276,537	1
6215		1
6220		1
6231	7,208	1
6232	300,581	1
6311	17,719	1
6341	35,914	1
6351	13,124	1
6362	283,402	1
6411	558	1
6421	203,831	1
6422	131,557	1
6423	1,158,430	1
6426	27,865	1
6431	172	1
6441	5,516	1
6512	(10,237)	5
6532	43,370	4
6533	226,249	1
6534	1,185,181	3
6535	837,731	2
6611	320,660	6
6612	382,522	6
		6
6621	159,123	6
6622	309,969	6
6623	1,556,920	6
6711	22,003	7
6712		7
6721	395,607	8
6722	51,088	9
6723	121,532	10
6724	(785,844)	11
6726		12
6728	3,051	12
7360		
7370	78,085	
8720	18,562	
8747		
TOTAL	7,404,053	

Line No.	AMOUNT
	To A1-02 Mgmt Tab
	MGMT
1	2,714,730
2	837,731
3	1,185,181
4	43,370
5	(10,237)
6	2,729,194
7	22,003
8	395,607
9	51,088
10	121,532
11	(785,844)
12	3,051
	7,307,406
7360	0
7370	78,085
8720	18,562
TOTAL	7,404,053

1	1	MAINTENANCE (6100 thru 6400+6531+6533)
2	2	ENGINEERING (6535)
3	3	NETWORK OPERATIONS (6534)
4	4	NETWORK ADMINISTRATION (6532)
5	5	OTHER PROPERTY,PLANT & EQUIP. (6512)
6	6	CUSTOMER OPERATIONS (6600)
7	7	EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)
8	8	ACCOUNTING & FINANCE (6721)
9	9	EXTERNAL RELATIONS (6722)
10	10	HUMAN RESOURCES (6723)
11	11	INFORMATION MANAGEMENT (6724)
12	12	OTHER CORPORATE (6726+6727+6728+8747)
		TOTAL OPERATING EXPENSES

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QWEST CORPORATION
ARIZONA — YTD DISTRIBUTED
YTD MONTH ENDING: DEC 2003 — WAGES & SALARIES

MAIN	CRAFT	MGMT	TOTAL
6112	(39,996)	(3,650)	(43,647)
6114			
6115			
6116	(11,840)	(1,041)	(12,881)
6121	486,797	47,541	534,338
6122	110	1,130	1,240
6123	386,132	33,274	419,406
6124	1,149,660	66,615	1,216,276
6211			
6212	16,021,570	1,416,903	17,438,473
6215			
6220			
6231	418,200	36,311	454,511
6232	14,373,023	1,595,736	15,968,759
6311	955,381	82,352	1,037,733
6341	1,795,721	154,878	1,950,599
6351	899,183	77,387	976,570
6362	16,448,721	1,417,117	17,865,838
6411	12,689	2,670	15,359
6421	12,569,470	1,143,917	13,713,387
6422	4,942,169	877,696	5,819,865
6423	55,311,965	3,481,724	58,793,689
6424			
6426	1,642,393	193,509	1,835,902
6431	18,606	1,998	20,603
6441	10,151	44,621	54,772
6512	(196,819)	(17,191)	(214,010)
6532	1,332,149	228,351	1,560,500
6533	13,308,351	1,146,454	14,454,805
6534	31,499,796	11,796,253	43,296,049
6535	(955,121)	6,593,589	5,638,469
6611	58,088	1,940,041	1,998,129
6612	474,432	3,410,666	3,885,098
6613			
6621	922,048	832,386	1,754,434
6622	6,862,585	2,153,762	9,016,347
6623	52,836,707	9,397,397	62,234,104
6711	0	121,531	121,531
6712			
6721	1,022,253	2,504,261	3,526,514
6722	48,253	252,203	300,456
6723	100,360	744,175	844,535
6724	(7,887,063)	(4,370,864)	(12,257,927)
6726			
6728	(1,578,355)	12,325	(1,566,030)
7360	-1,480,226.36	6,582,188.18	5,101,961.82
7370	204,215	571,437	775,652
8720	1,197,513	255,026	1,452,539
8747			
TOTAL	225,159,275	54,824,678	279,983,953

MAIN	CRAFT	MGMT	TOTAL
6512	(196,819)	(17,191)	(214,010)
	0.91967	0.08033	1.00000

Percents used on "Account 6512" worksheet tab.

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QWEST CORPORATION
ARIZONA — YTD DISTRIBUTED
YTD MONTH ENDING: DEC 2003 — WAGES & SALARIES

MAIN	MGMT	Line No.	Line No.	AMOUNT
6112	(3,650)	1		
6114		1		
6115		1		
6116	(1,041)	1		
6121	47,541	1		
6122	1,130	1		
6123	33,274	1		
6124	66,615	1		
6211		1		
6212	1,416,903	1		
6215		1		
6220		1		
6231	36,311	1		
6232	1,595,736	1		
6311	82,352	1		
6341	154,878	1		
6351	77,387	1		
6362	1,417,117	1		
6411	2,670	1		
6421	1,143,917	1		
6422	877,696	1		
6423	3,481,724	1		
6424		1		
6426	193,509	1		
6431	1,998	1		
6441	44,621	1		
6512	(17,191)	5		
6532	228,351	4		
6533	1,146,454	1		
6534	11,796,253	3		
6535	6,593,589	2		
6611	1,940,041	6		
6612	3,410,666	6		Posted to A2-03 Mgmt Tab
6613		6		MGMT
6621	832,386	6	1	11,817,140
6622	2,153,762	6	2	6,593,589
6623	9,397,397	6	3	11,796,253
6711	121,531	7	4	228,351
6712		7	5	(17,191)
6721	2,504,261	8	6	17,734,253
6722	252,203	9	7	121,531
6723	744,175	10	8	2,504,261
6724	(4,370,864)	11	9	252,203
6726		12	10	744,175
6728	12,325	12	11	(4,370,864)
7360	6,582,188		12	12,325
7370	571,437			47,416,027
8720	255,026			
8747			7360	6,582,188
			7370	571,437
			8720	255,026
TOTAL	54,824,678		TOTAL	54,824,678

PAGE 1

QWEST CORPORATION
ARIZONA — YTD DISTRIBUTED
YTD MONTH ENDING: DEC 2003 — WAGES & SALARIES

MAIN	CRAFT	Line No.	Line No.	AMOUNT		
6112	(39,996)	1				
6114		1				
6115		1				
6116	(11,840)	1				
6121	486,797	1				
6122	110	1				
6123	386,132	1				
6124	1,149,660	1				
6211		1				
6212	16,021,570	1				
6215		1				
6220		1				
6231	418,200	1				
6232	14,373,023	1				
6311	955,381	1				
6341	1,795,721	1				
6351	899,183	1				
6362	16,448,721	1				
6411	12,689	1				
6421	12,569,470	1				
6422	4,942,169	1				
6423	55,311,965	1				
6424		1				
6426	1,642,393	1				
6431	18,606	1				
6441	10,151	1				
6512	(196,819)	5				
6532	1,332,149	4				
6533	13,308,351	1				
6534	31,499,796	3				
6535	(955,121)	2				
6611	58,088	6				
6612	474,432	6		Posted to A4-03 Occ Tab		
6613		6		CRAFT		
6621	922,048	6	1	140,698,459	1	MAINTENANCE (6100 thru 6400+6531+6533)
6622	6,862,585	6	2	(955,121)	2	ENGINEERING (6535)
6623	52,836,707	6	3	31,499,796	3	NETWORK OPERATIONS (6534)
6711	0	7	4	1,332,149	4	NETWORK ADMINISTRATION (6532)
6712		7	5	(196,819)	5	OTHER PROPERTY,PLANT & EQUIP. (6512)
6721	1,022,253	8	6	61,153,861	6	CUSTOMER OPERATIONS (6600)
6722	48,253	9	7	0	7	EXECUTIVE, PLANNING & LEGAL (6711+6712+6725)
6723	100,360	10	8	1,022,253	8	ACCOUNTING & FINANCE (6721)
6724	(7,887,063)	11	9	48,253	9	EXTERNAL RELATIONS (6722)
6726		12	10	100,360	10	HUMAN RESOURCES (6723)
6728	(1,578,355)	12	11	(7,887,063)	11	INFORMATION MANAGEMENT (6724)
7360	(1,480,226)		12	(1,578,355)	12	OTHER CORPORATE (6725+6727+6728+8747)
7370	204,215			225,237,773		TOTAL OPERATING EXPENSES
8720	1,197,513					
8747			7360	(1,480,226)		
			7370	204,215		
			8720	1,197,513		
TOTAL	225,159,275		TOTAL	225,159,275		

QWEST CORPORATION
ARIZONA
YTD MONTH ENDING: **FEB 2003**

YTD DISTRIBUTED
WAGES & SALARIES

MAIN	CRAFT	MGMT	TOTAL
6112	-75,273.63	-6,668.93	-81,942.56
6116	-9,158.82	-811.45	-9,970.27
6121	98,997.32	10,049.02	109,046.34
6122	75.65	916.15	991.8
6123	77,566.80	6,872.11	84,438.91
6124	210,494.77	15,709.47	226,204.24
6212	3,025,617.77	276,536.79	3,302,154.56
6231	81,360.83	7,208.24	88,569.07
6232	2,873,727.87	300,580.78	3,174,308.65
6311	200,000.28	17,719.23	217,719.51
6341	405,371.55	35,914.32	441,285.87
6351	148,132.44	13,123.94	161,256.38
6362	3,198,814.28	283,402.34	3,482,216.62
6411	2,351.17	557.94	2,909.11
6421	2,246,721.44	203,830.73	2,450,552.17
6422	818,308.09	131,556.53	949,864.62
6423	11,104,831.99	1,158,429.84	12,263,261.83
6426	243,153.72	27,865.17	271,018.89
6431	1,904.00	172.18	2,076.18
6441	611.41	5,516.05	6,127.46
6512	-115,549.09	-10,237.19	-125,786.28
6532	236,271.25	43,369.97	279,641.22
6533	2,553,717.49	226,249.32	2,779,966.81
6534	-1,750,400.49	1,185,181.28	-565,219.21
6535	-21,310.71	837,730.94	816,420.23
6611	11,341.33	320,660.43	332,001.76
6612	44,349.15	382,521.93	426,871.08
6621	139,995.05	159,122.81	299,117.86
6622	1,220,226.06	309,968.77	1,530,194.83
6623	8,613,610.81	1,556,920.08	10,170,530.89
6711	0	22,002.77	22,002.77
6721	165,342.51	395,606.87	560,949.38
6722	7,620.82	51,088.05	58,708.87
6723	25,807.55	121,532.34	147,339.89
6724	-1,316,831.36	-785,844.12	-2,102,675.48
6728	51,570.10	3,051.46	54,621.56
7370	9,701.85	78,085.18	87,787.03
8720	11,035.03	18,561.62	29,596.65
TOTAL	34,540,106.28	7,404,052.96	41,944,159.24

QWEST CORPORATION
ARIZONA
YTD MONTH ENDING: **JUL 2003**

YTD DISTRIBUTED
WAGES & SALARIES

MAIN	CRAFT	MGMT	TOTAL
6112	-60,276.01	-5,385.58	-65,661.69
6116	-9,597.43	-848.99	-10,446.42
6121	300,180.93	27,854.50	328,035.43
6122	110.29	1,129.97	1,240.26
6123	218,897.21	18,964.84	237,862.05
6124	708,191.50	46,586.08	754,777.58
6212	9,567,661.50	852,344.03	10,420,005.53
6231	264,369.68	23,148.27	287,517.95
6232	8,520,133.66	934,689.10	9,454,822.76
6311	599,018.46	51,860.64	650,879.10
6341	1,260,609.44	109,091.50	1,369,700.94
6351	515,547.05	44,561.23	560,108.28
6362	9,609,966.70	831,963.28	10,441,929.98
6411	7,228.37	1,450.63	8,679.00
6421	7,191,769.40	655,022.14	7,846,791.54
6422	2,645,513.44	500,690.41	3,146,203.85
6423	33,449,814.21	3,407,287.14	36,857,101.35
6426	830,015.89	100,419.70	930,435.59
6431	8,428.31	924.18	9,352.49
6441	6,070.77	20,397.02	26,467.79
6512	-185,121.62	-16,190.07	-201,311.69
6532	780,538.57	142,975.48	923,514.05
6533	7,889,035.77	682,758.06	8,571,793.83
6534	11,725,791.00	6,964,715.57	18,690,506.57
6535	-662,800.52	2,542,235.06	1,879,434.54
6611	35,214.92	1,081,464.08	1,116,679.00
6612	235,911.38	1,899,718.40	2,135,629.78
6621	524,680.39	523,041.51	1,047,721.90
6622	4,194,424.28	1,274,525.96	5,468,950.24
6623	30,252,299.44	5,555,077.68	35,807,377.12
6711	0	56,066.00	56,066.00
6721	584,221.59	1,452,860.29	2,037,081.88
6722	27,370.96	154,805.56	182,176.52
6723	69,956.81	453,477.75	523,434.56
6724	-7,201,734.10	-3,977,617.27	-11,179,351.37
6728	-6,008.78	7,823.58	1,814.80
7360	-796,258.08	1,177,673.36	381,415.28
7370	190,031.24	446,030.83	636,062.07
8720	551,880.16	113,189.32	665,069.48
TOTAL	123,843,086.78	28,156,781.14	151,999,867.92

CT1 -GENERAL PURPOSE COMPUTER SOFTWARE-SALARIES
01-01-99 (GENERAL PURPOSE COMPUTER SOFTWARE-SALARIES)
Identifies the salary costs associated with internally developed software for General Purpose Computers transferred to capital as a result of the Software SOP 98-1.

PAGE 1

QWEST CORPORATION
ARIZONA
YTD MONTH ENDING: FEBR 2003

YTD DISTRIBUTED
WAGES & SALARIES

MAIN	CRAFT	MGMT	TOTAL
6724	(1,316,831)	(785,844)	(2,102,675)
	62.63%	37.37%	100.00%

COMPUTER SOFTWARE MANAGEMENT SALARIES - CT1
These expenses should be removed from salaries.

PAGE 1

QWEST CORPORATION
ARIZONA
YTD MONTH ENDING: DEC 2003

YTD DISTRIBUTED
WAGES & SALARIES

MAIN	CRAFT	MGMT	TOTAL
6724	(7,887,063)	(4,370,864)	(12,257,927)
	64.34%	35.66%	100.00%

STATE	AZ
EXTC	CT1
JAPC	S
YEAR	2003
O/M	(All)
ON/OFF	

	Data												
MAIN	Sum of JAN	Sum of FEB	Sum of MAR	Sum of APR	Sum of MAY	Sum of JUN	Sum of JUL	Sum of AUG	Sum of SEP	Sum of OCT	Sum of NOV	Sum of DEC	Sum of YTD
6724	(822,099)	(1,372,128)	(1,720,989)	(2,013,777)	(1,926,398)	(2,025,742)	(1,607,461)	(2,077,877)	(2,094,819)	14,312,874	(169,831)	(11,263,881)	(12,782,129)
Grand Total	(822,099)	(1,372,128)	(1,720,989)	(2,013,777)	(1,926,398)	(2,025,742)	(1,607,461)	(2,077,877)	(2,094,819)	14,312,874	(169,831)	(11,263,881)	(12,782,129)

6724 YTD =	(822,099)	(2,194,227)	(3,915,216)	(5,928,993)	(7,855,391)	(9,881,133)	#########	(13,566,471)	(15,661,290)	(1,348,417)	(1,518,248)	(12,782,129)	(12,782,129)

Occ	(1,374,167)		To Tab: a4-04 occup (8,224,348)
Mgmt	(820,060)	To Tab: a1-03 mgmt	To Tab: a2-04 mgmt (4,557,781)
YTD	(2,194,227)		(12,782,129)

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-06

Arizona Corporation Commission
Docket No.
Title: Headquarters Factors Update

Time: 2:44 PM
Date: 5/13/2004
Adj. # PFN-06

Qwest Corporation

Arizona Intrastate Operations
Normalization Adjustment

Headquarters Factors Update

Test Year Ending December 31, 2003

$(000)

Operating Revenues	(231)
Operating Expenses	(4,617)
Total Operating Income Taxes	1,764
Net Operating Income	2,623
Rate Base	0
Revenue Requirement	(4,426)

This adjustment annualizes expected decreases in local recurring revenue based on statistical analysis of booked revenues.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/13/2004
Time: 2:44 PM
PFN-06

			Headquarters Factors Update
Revenues			
	1	Local Service Revenues	
	2	Network Access Service Revenues	
	3	Long Distance Network Service Rev.	
	4	Miscellaneous	(231)
	5	Total Oper. Rev. (L1 thru L4)	(231)
Expenses			
	6	Maintenance	(10)
	7	Engineering Expense	57
	8	Network Operations	
	9	Network Administration	
	10	Access Expense	
	11	Other	
	12	Total Cost of Services & Products(L6 thru L11)	47
	13	Customer Operations	(2,772)
	14	Corporate Operations	(1,892)
	15	Property & Other Taxes	
	16	Uncollectibles	
	17	Tot Selling, General & Admin.(L13 thru L16)	(4,664)
	18	Other Operating Income & Expense	
	19	Depreciation Expense	
	20	Universal Service Fund	
	21	Link Up America	
	22	Total Operating Expense(L12+L17 thru L21)	(4,617)
	23	Income From Operations (L5-L22)	4,386
Taxes			
	24	Federal Income Tax (L23-L30) x Eff FIT Rate	1,471
	25	State & Local Income Tax (L23-L30) x Eff SIT Rate	293
	26	**Net Operating Income (L23-L24-L25)**	2,623
Other			
	27	Nonoperating Income & Expense	(529)
	28	Nonoperating Income Tax	
	29	Net Operating Earnings (L26-L27-L28)	3,151
	30	Interest Expense	(109)
	31	Juris Diff & Nonreg Net Income	
	32	Extraordinary Items	
	33	**Net Income (L29-L30-L31-L32)**	3,260
Rate Base			
	34	Telephone Plant In Service	
	35	Short-Term Plant Under Contruction	
	36	Materials and Supplies	
	37	Allowance for Cash Working Capital	
	38	Accumulated Depreciation & Amortization Reserve	
	39	Accumulated Deferred Income Tax	
	40	Customer Deposits	
	41	Land Development Agreement Deposits	
	42	Other Assets & Liabilities	
	43	**End-of-Period Rate Base**	0
		(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

Qwest Communications
Arizona
Estimated Impact of HQ Prorate Changes
2004 vs. 2003 ($000's)

Line	(A) Group	(B) Acct #	(C) Description	(D)	(E) HQ 2003 As Allocated	(F) Pro Forma	(G)=F-E Increase (Decrease)	(H) Intrastate Factor	(I)=GxH Intrastate Amount	(J) Prorate Factor	(K) 2003 Factor	(L) 2004 Factor
1	Miscellaneous	5230	Directory Revenue		12,043	11,309	(734)	0.809516	(594)	Listings(L)	0.13577	0.1275
2	Miscellaneous	5240	Rent Revenue		(632,323)	(625,967)	6,356	0.809516	5,146	Weighted Three(8)	0.17011	0.1684
3	Miscellaneous	5250	Corporate Operations Revenue		(11,555,158)	(11,439,002)	116,156	0.809516	94,030	Weighted Three(8)	0.17011	0.1684
4	Miscellaneous	5262	Customer Operations Revenue		(2,192,440)	(2,159,263)	33,177	0.809516	26,857	Access Lines(1)	0.16587	0.16336
5	Miscellaneous	5263	Plant Operations Revenue		(1,137,633)	(1,126,197)	11,436	0.809516	9,258	Weighted Three(8)	0.17011	0.1684
6	Miscellaneous	5264	Other Incidental Regulated Revenue		(14,696)	(14,548)	148	0.809516	120	Weighted Three(8)	0.17011	0.1684
7	Miscellaneous	5280	Nonregulated Uncollectibles		(7,843,265)	(7,724,598)	118,687	0.809516	96,079	Access Lines(1)	0.16587	0.16336
8	Maintenance Expense	6112	Motor Vehicle Expense		1,087,929	1,076,993	(10,936)	0.744839	(8,146)	Weighted Three(8)	0.17011	0.1684
9	Maintenance Expense	6116	Other Work Equipment Expense		35,930	35,569	(361)	0.744839	(269)	Weighted Three(8)	0.17011	0.1684
10	Maintenance Expense	6122	Furniture and Artworks Expense		3,928	3,889	(39)	0.744839	(29)	Weighted Three(8)	0.17011	0.1684
11	Maintenance Expense	6123	Office Equipment Expense		(147,288)	(145,807)	1,481	0.744839	1,103	Weighted Three(8)	0.17011	0.1684
12	Maintenance Expense	6124	General Purpose Computers Expense		15,475,463	15,319,899	(155,564)	0.744839	(115,870)	Weighted Three(8)	0.17011	0.1684
13	Maintenance Expense	6212	Digital Electronic Expense		102,052	102,594	542	0.744839	404	COE(E)	0.16008	0.16093
14	Maintenance Expense	6512	Provisioning Expense		1,256,696	1,244,063	(12,633)	0.744839	(9,409)	Weighted Three(8)	0.17011	0.1684
15	Maintenance Expense	6532	Network Administration Expense		99,855	100,739	884	0.744839	658	CO O/T OSP(7)	0.16382	0.16527
16	Maintenance Expense	6534	Plant Operations Administration Expen		18,421,300	18,584,350	163,050	0.744839	121,446	CO O/T OSP(7)	0.16382	0.16527
17	Engineering Expense	6535	Engineering Expense		8,837,741	8,915,965	78,224	0.725294	56,736	CO O/T OSP(7)	0.16382	0.16527
18	Customer Operations Expe	6611	Marketing		15,984,844	15,742,956	(241,888)	0.805088	(194,741)	Access Lines(1)	0.16587	0.16336
19	Customer Operations Expe	6612	Product Management		57,324,806	56,457,348	(867,458)	0.805088	(698,380)	Access Lines(1)	0.16587	0.16336
20	Customer Operations Expe	6613	Product Advertising Expense		5,021,729	4,945,739	(75,990)	0.805088	(61,179)	Access Lines(1)	0.16587	0.16336
21	Customer Operations Expe	6621	Call Completion Services		2,284,196	1,903,842	(380,354)	0.805088	(306,218)	OSCAP Messgs(3)	0.14317	0.11933
22	Customer Operations Expe	6622	Number Services		7,487,975	7,183,847	(304,128)	0.805088	(244,850)	DA Listings(4)	0.22159	0.21259
23	Customer Operations Expe	6623	Customer Services		103,942,087	102,369,201	(1,572,886)	0.805088	(1,266,312)	Access Lines(1)	0.16587	0.16336
24	Corporate Operations Exp	6711	Executive		5,320,391	5,266,909	(53,482)	0.791512	(42,332)	Weighted Three(8)	0.17011	0.1684
25	Corporate Operations Exp	6712	Planning		469,573	464,853	(4,720)	0.791512	(3,736)	Weighted Three(8)	0.17011	0.1684
26	Corporate Operations Exp	6721	Accounting and Finance		18,773,488	18,584,771	(188,717)	0.791512	(149,372)	Weighted Three(8)	0.17011	0.1684
27	Corporate Operations Exp	6722	External Relations		23,630,692	23,393,149	(237,543)	0.791512	(188,018)	Weighted Three(8)	0.17011	0.1684
28	Corporate Operations Exp	6723	Human Resources		6,364,303	6,300,327	(63,976)	0.791512	(50,638)	Weighted Three(8)	0.17011	0.1684
29	Corporate Operations Exp	6724	Information Management		152,366,771	150,835,132	(1,531,639)	0.791512	(1,212,311)	Weighted Three(8)	0.17011	0.1684
30	Corporate Operations Exp	6725	Legal		9,428,684	9,333,904	(94,780)	0.791512	(75,020)	Weighted Three(8)	0.17011	0.1684
31	Corporate Operations Exp	6726	Procurement		3,367,703	3,333,850	(33,853)	0.791512	(26,795)	Weighted Three(8)	0.17011	0.1684
32	Corporate Operations Exp	6727	Research and Development		17,174	17,001	(173)	0.791512	(137)	Weighted Three(8)	0.17011	0.1684
33	Corporate Operations Exp	6728	Other General and Administrative		18,043,805	17,862,423	(181,382)	0.791512	(143,566)	Weighted Three(8)	0.17011	0.1684
34	Nonoperating Income & E	7160	Other Operating Gains & Losses		2,996	3,012	16	0.729557	12	Adjusted TPIS(2)	0.16006	0.16093
35	Property & Other Taxes	7240	Operating Other Taxes		(10)	(10)	0	0.734727	0	Weighted Three(8)	0.17011	0.1684
36	Nonoperating Income & E	7310	Dividend Income		70,038,548	69,334,498	(704,050)	0.729557	(513,644)	Weighted Three(8)	0.17011	0.1684
37	Nonoperating Income & E	7320	Interest Income		(6,100,794)	(6,039,467)	61,327	0.729557	44,742	Weighted Three(8)	0.17011	0.1684
38	Nonoperating Income & E	7360	Other Nonoperating Income		7,810,039	7,731,530	(78,509)	0.729557	(57,277)	Weighted Three(8)	0.17011	0.1684
39	Nonoperating Income & E	7370	Special Charges		357,326	353,734	(3,592)	0.729557	(2,621)	Weighted Three(8)	0.17011	0.1684
40	Interest Expense	7510	Interest on Funded Debt		89,882,845	89,734,714	(148,131)	0.719739	(106,616)	Net Investment(V)	0.16383	0.16356
41	Interest Expense	7530	Amortization of Debt Issuance Expense		1,516,401	1,513,902	(2,499)	0.719739	(1,799)	Net Investment(V)	0.16383	0.16356
42	Interest Expense	7540	Other Interest Deductions		65,583	64,924	(659)	0.719739	(474)	Weighted Three(8)	0.17011	0.1684
43	Corporate Operations Exp	8747	Centralized Administrative Services Cle		(840)	(832)	8	0.791512	7	Weighted Three(8)	0.17011	0.1684
44	TOTAL		TOTAL		615,210,429	608,851,243	(6,359,186)		(5,023,755)			

SUMMARY

	Group	HQ 2003 As Allocated	Pro Forma	Increase (Decrease)	Intrastate Factor	Intrastate Amount
45	Miscellaneous	(23,363,492)	(23,078,266)	285,226		230,896
46	Maintenance Expense	36,335,865	36,322,288	(13,577)		(10,112)
47	Engineering Expense	8,837,741	8,915,965	78,224		56,736
48	Customer Operations Expense	192,045,637	188,602,932	(3,442,705)		(2,771,680)
49	Corporate Operations Expense	237,781,744	235,391,486	(2,390,258)		(1,891,918)
50	Nonoperating Income & Expense	72,108,115	71,383,308	(724,807)		(528,788)
51	Property & Other Taxes	(10)	(10)	0		0
52	Interest Expense	91,464,829	91,313,539	(151,290)		(108,889)
53	TOTAL	615,210,429	608,851,243	(6,359,186)		(5,023,755)

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-07

Arizona Corporation Commission
Docket No.
Title: Rent Compensation Update
Time: 7:36 AM
Date: 5/14/2004
Adj. # PFN-07

Qwest Corporation

Arizona Intrastate Operations
Normalization Adjustment

Rent Compensation Update

Test Year Ending December 31, 2003

$(000)

Operating Revenues	2,326
Operating Expenses	0
Total Operating Income Taxes	912
Net Operating Income	1,413
Rate Base	0
Revenue Requirement	(2,385)

This adjustment removes the impact of an accrued liability for franchise taxes collected for TRS.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 7:36 AM
PFN-07

		Rent Compensation Update
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	2,326
5	Total Oper. Rev. (L1 thru L4)	2,326
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	2,326
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	761
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	151
26	**Net Operating Income (L23-L24-L25)**	1,413
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	1,413
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	1,413
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

Qwest Corporation
Arizona Intrastate Results
Rent Compensation

(A)		(B)	(C)	(D)
Line	**Description**		**Source**	**Amount**
1	Rent Comp Booked, 2003		GL	20,195
2	January 2004 Study Level		Study	17,215
3	Rent Comp Increase (Decrease)		L2-L1	(2,980)
4	Intrastate Factor, Land & Support Assets		Test Year	78.04%
5	Intrastate Rent Comp Increase (Decrease)		L3xL4	(2,326)

QWEST CORPORATION

RENT COMPENSATION STUDY - JAN 2004

RENT COMPENSATION ENTRY (ACCOUNT 5240.8)

			------ CURRENT STUDY ------	
	(A)	(B)=C-A	(C)	(D)=C/12
	ANNUAL RENT COMP EXP(REV) 6/2003 STUDY	ANNUAL CHANGE OVER PRIOR STUDY (REV)/EXP	ANNUAL RENT COMP EXP(REV) 1/2004 STUDY	MONTHLY RENT COMP EXP(REV) 1/2004 STUDY
Arizona	16,381,656	833,712	17,215,368	1,434,614
Colorado	(11,945,592)	(6,108,336)	(18,053,928)	(1,504,494)
Idaho-S	4,210,440	(954,696)	3,255,744	271,312
Montana	3,653,520	(794,916)	2,858,604	238,217
New Mexico	3,932,088	(1,469,088)	2,463,000	205,250
Utah	(21,014,700)	**18,652,692**	(2,362,008)	(196,834)
Wyoming	1,647,636	(492,144)	1,155,492	96,291
Iowa	5,529,888	(4,242,948)	1,286,940	107,245
Minnesota	10,482,204	(1,696,188)	8,786,016	732,168
Nebraska	(20,236,848)	2,479,920	(17,756,928)	(1,479,744)
N Dakota	1,151,100	(541,260)	609,840	50,820
S Dakota	1,363,692	(688,212)	675,480	56,290
Idaho-N	(215,220)	(81,096)	(296,316)	(24,693)
Oregon	6,550,956	(3,112,656)	3,438,300	286,525
Washington	(1,490,820)	(1,784,784)	(3,275,604)	(272,967)
Total	0	0	0	0

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

BLUE = INPUT AREAS

CURRENT STUDY DATA (JAN 2004)

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
GROSS INVESTMENT:											
1	Land	2111	Invest Bal. - 12/2003	12,812,913	19,232,521	1,407,310	1,733,219	6,552,067	9,231,321	2,191,883	7,019,892
2	Vehicles	2112	Not in Rent Comp								
3	Aircraft	N/A	Not in Rent Comp								
4	Buildings	2121	Invest Bal. - 12/2003	238,125,666	636,675,443	42,618,116	47,216,104	168,452,876	225,474,195	46,144,377	201,495,711
5	Furniture	2122	" "	1,770,500	279,044	25,181	16,263	103,202	230,104	90,641	26,194
6	Artwork	2122	" "	126,381	341,456	-	-	23,756	21,956	-	28,232
7	Ofc Eq	2123.1	" "	5,913,204	10,457,898	654,208	270,948	11,317,020	1,492,659	143,199	1,462,332
8	OCS	2123.21	" "	578,246	777,301	10,815	6,579	11,724	78,028	5,214	12,596
9	OCS	2123.22	" "	1,850,299	5,186,993	277,182	379,764	318,902	1,880,392	684,043	621,817
10	Computers	2124	" "	96,308,662	674,237,500	12,545,006	7,325,742	50,482,542	126,651,677	6,849,379	30,401,024
11	LSE Bldg	2681.1	" "	-	2,346,025	5,449,185	-	-	-	-	-
12	LSE Comp	2681.3,4	" "	-	11,541,766	-	-	-	9,031,401	-	-
13	LSE Other	2681.9	" "	-	-	-	-	-	-	-	-
14	LHI - Building	2682.1	" "	32,740,973	75,895,281	6,961,743	544,177	4,392,162	1,452,704	548,469	2,191,435
15	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-	-
	TOTAL			390,226,843	1,436,971,229	69,948,746	57,492,796	241,654,251	375,544,437	56,657,206	243,259,234
RESERVE FOR DEPRECIATION:			4/3003								
16	Land	2111	No depreciation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
17	Vehicles	2112	Not in Rent Comp								
18	Aircraft	N/A	Not in Rent Comp								
19	Buildings	2121	CR 6 - P1 - L7	27.9%	27.3%	29.4%	47.3%	44.5%	27.7%	56.0%	25.9%
20	Furniture	2122	CR 6 - P1 - L8	67.6%	92.9%	234.0%	-1130.5%	103.2%	95.8%	131.9%	-59.2%
21	Artwork	2122	CR 6 - P1 - L9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
22	Ofc Eq	2123.1	CR 6 - P1 - L10	102.4%	103.0%	103.5%	21.5%	90.7%	102.1%	103.7%	100.6%
23	OCS	2123.21	CR 6 - P1 - L11	101.6%	37.2%	43.6%	48.3%	46.8%	90.0%	136.2%	62.8%
24	OCS	2123.22	CR 6 - P1 - L11	101.6%	37.2%	43.6%	48.3%	46.8%	90.0%	136.2%	62.8%
25	Computers	2124	CR 6 - P1 - L12	95.9%	94.8%	101.4%	38.6%	99.3%	99.0%	72.8%	59.5%
26	LSE Bldg	2681.1	CR 6 - P3 - L 95	0.0%	69.4%	52.4%	0.0%	100.0%	0.0%	0.0%	100.0%
27	LSE Comp	2681.3	CR 6 - P3 - L 97	68.4%	74.2%	79.1%	64.9%	72.0%	71.9%	69.8%	-115.6%
28	LSE Other	2681.9	CR 6 - P3 - L 98	4.1%	16.7%	0.0%	5.3%	18.4%	689.5%	1875.0%	100.0%
29	LHI - Building	2682.1	CR 6 - P3 - L 100	83.0%	64.5%	47.6%	70.7%	71.5%	98.8%	95.5%	95.1%
30	LHI - Other	2682.2,.9	CR 6 - P3 - L 100	83.0%	64.5%	47.6%	70.7%	71.5%	98.8%	95.5%	95.1%

31 NOT USED
32 "
33 "
34 "
35 "
36 "
37 "
38 "

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
GROSS INVESTMENT:											
1	Land	2111	Invest Bal. - 12/2003	14,301,640	4,304,625	1,904,244	1,306,230	70,861	7,958,103	11,324,964	101,351,793
2	Vehicles	2112	Not in Rent Comp								
3	Aircraft	N/A	Not in Rent Comp								
4	Buildings	2121	Invest Bal. - 12/2003	392,844,489	142,634,368	37,954,543	70,429,956	3,591,524	179,908,300	315,159,741	2,748,725,409
5	Furniture	2122	" "	63,696	97,936	-	-	2,568	185,719	271,099	3,162,149
6	Artwork	2122	" "	71,808	266,334	-	-	-	13,576	236,728	1,130,227
7	Ofc Eq	2123.1	" "	4,419,709	8,249,487	232,606	222,397	-	3,538,006	5,463,424	53,837,098
8	OCS	2123.21	" "	132,605	38,956	5,349	6,952	-	107,807	118,183	1,890,355
9	OCS	2123.22	" "	2,185,751	211,204	84,691	162,255	3,578	780,665	4,007,973	18,636,509
10	Computers	2124	" "	133,144,593	190,024,238	5,837,735	5,547,603	11,276	44,393,685	154,854,727	1,538,615,388
11	LSE Bldg	2681.1	" "	0	-	-	-	-	0	24,862	7,820,072
12	LSE Comp	2681.3,4	" "	-	5,114,960	-	-	-	-	-	25,688,126
13	LSE Other	2681.9	" "	-	880,197	-	-	-	-	-	880,197
14	LHI - Building	2682.1	" "	35,587,878	7,776,156	27,803	8,910	-	1,761,497	5,753,141	175,642,330
15	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-	-
	TOTAL			582,752,170	359,598,461	46,046,970	77,684,304	3,679,806	238,647,358	497,214,841	4,677,378,654
RESERVE FOR DEPRECIATION:			4/3003								
16	Land	2111	No depreciation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
17	Vehicles	2112	Not in Rent Comp								
18	Aircraft	N/A	Not in Rent Comp								
19	Buildings	2121	CR 6 - P1 - L7	27.3%	30.1%	31.0%	37.3%	34.8%	24.8%	25.0%	
20	Furniture	2122	CR 6 - P1 - L8	-2694.3%	195.0%	0.0%	0.0%	366.7%	-100.1%	-40.9%	
21	Artwork	2122	CR 6 - P1 - L9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
22	Ofc Eq	2123.1	CR 6 - P1 - L10	68.7%	40.5%	46.7%	10.7%	0.0%	91.4%	55.0%	
23	OCS	2123.21	CR 6 - P1 - L11	57.1%	127.2%	1711.9%	38.9%	390.7%	29.8%	103.9%	
24	OCS	2123.22	CR 6 - P1 - L11	57.1%	127.2%	1711.9%	38.9%	390.7%	29.8%	103.9%	
25	Computers	2124	CR 6 - P1 - L12	101.1%	103.1%	83.1%	95.6%	-241.5%	53.6%	87.9%	
26	LSE Bldg	2681.1	CR 6 - P3 - L 95	80.0%	0.0%	0.0%	0.0%	0.0%	0.0%	45.5%	
27	LSE Comp	2681.3	CR 6 - P3 - L 97	70.8%	61.7%	80.5%	73.6%	83.0%	75.7%	77.3%	
28	LSE Other	2681.9	CR 6 - P3 - L 98	100.0%	68.8%	100.0%	0.0%	0.0%	10.0%	62.9%	
29	LHI - Building	2682.1	CR 6 - P3 - L 100	41.5%	67.2%	-207.7%	100.0%	0.0%	32.8%	41.8%	
30	LHI - Other	2682.2,.9	CR 6 - P3 - L 100	41.5%	67.2%	-207.7%	100.0%	0.0%	32.8%	41.8%	
31	NOT USED										
32	"										
33	"										
34	"										
35	"										
36	"										
37	"										
38	"										

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

BLUE = INPUT AREAS

CURRENT STUDY DATA (JAN 2004)

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
DEFERRED INCOME TAXES:											
39	Land	2111	"ITCTX062002.XLS"	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
40	Vehicles	2112	Not in Rent Comp								
41	Aircraft	2113	Not in Rent Comp								
42	Buildings	2121	"ITCTX062002.XLS"	8.701%	7.391%	8.392%	4.801%	11.016%	11.488%	9.062%	6.006%
43	Furniture	2122	" "	11.952%	11.937%	5.073%	10.296%	15.066%	14.789%	2.296%	13.325%
44	Artwork	2122	" "	11.952%	11.937%	5.073%	10.296%	15.066%	14.789%	2.296%	13.325%
45	Ofc Eq	2123.1	" "	1.510%	10.570%	4.535%	12.586%	9.430%	6.133%	10.979%	9.265%
46	OCS	2123.21	" "	3.379%	0.107%	2.445%	4.163%	-0.439%	3.384%	2.673%	1.896%
47	OCS	2123.22	" "	3.379%	0.107%	2.445%	4.163%	-0.439%	3.384%	2.673%	1.896%
48	Computers	2124	" "	3.957%	7.372%	6.246%	7.849%	8.146%	6.794%	8.714%	6.033%
49	LSE Bldg	2681.1	" "	8.701%	7.391%	8.392%	4.801%	11.016%	11.488%	9.062%	6.006%
50	LSE Comp	2681.3	" "	3.957%	7.372%	6.246%	7.849%	8.146%	6.794%	8.714%	6.033%
51	LSE Other	2681.9	" "	3.957%	7.372%	6.246%	7.849%	8.146%	6.794%	8.714%	6.033%
52	LHI - Building	2682.1	" "	8.701%	7.391%	8.392%	4.801%	11.016%	11.488%	9.062%	6.006%
53	LHI - Other	2682.2,.9	" "	3.957%	7.372%	6.246%	7.849%	8.146%	6.794%	8.714%	6.033%
UNAMORT INV TAX CREDITS:											
54	Land	2111	"ITCTX062002.XLS"	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
55	Vehicles	2112	Not in Rent Comp								
56	Aircraft	2113	Not in Rent Comp								
57	Buildings	2121	"ITCTX062002.XLS"	1.373%	0.910%	0.976%	0.840%	1.125%	1.165%	1.362%	0.903%
58	Furniture	2122	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
59	Artwork	2122	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
60	Ofc Eq	2123.1	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
61	OCS	2123.21	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
62	OCS	2123.22	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
63	Computers	2124	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.005%
64	LSE Bldg	2681.1	" "	1.373%	0.910%	0.976%	0.840%	1.125%	1.165%	1.362%	0.903%
65	LSE Comp	2681.3	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.005%
66	LSE Other	2681.9	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.005%
67	LHI - Building	2682.1	" "	1.373%	0.910%	0.976%	0.840%	1.125%	1.165%	1.362%	0.903%
68	LHI - Other	2682.2,.9	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.005%

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
DEFERRED INCOME TAXES:											
39	Land	2111	"ITCTX062002.XLS"	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
40	Vehicles	2112	Not in Rent Comp								
41	Aircraft	2113	Not in Rent Comp								
42	Buildings	2121	"ITCTX062002.XLS"	4.940%	9.053%	1.410%	2.226%	7.561%	10.211%	8.250%	
43	Furniture	2122	" "	7.533%	14.474%	0.000%	-0.397%	0.000%	12.761%	11.352%	
44	Artwork	2122	" "	7.533%	14.474%	0.000%	-0.397%	0.000%	12.761%	11.352%	
45	Ofc Eq	2123.1	" "	11.440%	9.773%	5.769%	8.703%	0.000%	12.615%	-3.099%	
46	OCS	2123.21	" "	-0.848%	2.439%	-0.098%	1.011%	-0.092%	1.936%	6.596%	
47	OCS	2123.22	" "	-0.848%	2.439%	-0.098%	1.011%	-0.092%	1.936%	6.596%	
48	Computers	2124	" "	7.478%	3.783%	4.194%	3.559%	10.031%	9.648%	5.578%	
49	LSE Bldg	2681.1	" "	4.940%	9.053%	1.410%	2.226%	7.561%	10.211%	8.250%	
50	LSE Comp	2681.3	" "	7.478%	3.783%	4.194%	3.559%	10.031%	9.648%	5.578%	
51	LSE Other	2681.9	" "	7.478%	3.783%	4.194%	3.559%	10.031%	9.648%	5.578%	
52	LHI - Building	2682.1	" "	4.940%	9.053%	1.410%	2.226%	7.561%	10.211%	8.250%	
53	LHI - Other	2682.2,.9	" "	7.478%	3.783%	4.194%	3.559%	10.031%	9.648%	5.578%	
UNAMORT INV TAX CREDITS:											
54	Land	2111	"ITCTX062002.XLS"	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
55	Vehicles	2112	Not in Rent Comp								
56	Aircraft	2113	Not in Rent Comp								
57	Buildings	2121	"ITCTX062002.XLS"	1.277%	1.059%	1.068%	1.563%	1.249%	1.319%	1.290%	
58	Furniture	2122	" "	0.000%	0.093%	0.000%	0.000%	0.000%	0.000%	1.461%	
59	Artwork	2122	" "	0.000%	0.093%	0.000%	0.000%	0.000%	0.000%	1.461%	
60	Ofc Eq	2123.1	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
61	OCS	2123.21	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
62	OCS	2123.22	" "	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
63	Computers	2124	" "	0.001%	0.000%	0.000%	0.000%	0.000%	0.009%	0.002%	
64	LSE Bldg	2681.1	" "	1.277%	1.059%	1.068%	1.563%	1.249%	1.319%	1.290%	
65	LSE Comp	2681.3	" "	0.001%	0.000%	0.000%	0.000%	0.000%	0.009%	0.002%	
66	LSE Other	2681.9	" "	0.001%	0.000%	0.000%	0.000%	0.000%	0.009%	0.002%	
67	LHI - Building	2682.1	" "	1.277%	1.059%	1.068%	1.563%	1.249%	1.319%	1.290%	
68	LHI - Other	2682.2,.9	" "	0.001%	0.000%	0.000%	0.000%	0.000%	0.009%	0.002%	

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

BLUE = INPUT AREAS

CURRENT STUDY DATA (JAN 2004)

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
DEPRECIATION RATES:											
69	Land	2111	"DEPR_RATES_102003	0%	0%	0%	0.000%	0%	0%	0%	0%
70	Vehicles	2112	Not in Rent Comp								
71	Aircraft	2113	Not in Rent Comp								
72	Buildings	2121	"DEPR_RATES_102003	3.0%	2.9%	2.9%	3.400%	3.2%	2.6%	4.2%	2.5%
73	Furniture	2122	" "	20.1%	10.1%	0.0%	20.800%	0.0%	0.8%	0.0%	0.0%
74	Artwork	2122	" "	0%	0%	0%	0.000%	0%	0%	0%	0%
75	Ofc Eq	2123.1	" "	0.0%	0.0%	0.0%	10.600%	9.5%	11.6%	0.0%	0.0%
76	OCS	2123.21	" "	0.0%	9.3%	11.1%	8.300%	10.2%	5.6%	0.0%	11.1%
77	OCS	2123.22	" "	0.0%	9.3%	11.1%	8.300%	10.2%	5.6%	0.0%	11.1%
78	Computers	2124	" "	0.0%	0.0%	0.0%	0.200%	0.0%	0.0%	3.6%	10.1%
79	LSE Bldg	2681.1	"LSERATE102003.XLS"	9.166%	20.694%	4.303%	0.000%	5.577%	27.296%	0.000%	-105.721%
80	LSE Comp	2681.3	" "	9.166%	20.694%	4.303%	0.000%	5.577%	27.296%	0.000%	-105.721%
81	LSE Other	2681.9	" "	9.166%	20.694%	4.303%	0.000%	5.577%	27.296%	0.000%	-105.721%
82	LHI - Building	2682.1	"LSERATE102003.XLS"	5.668%	7.608%	4.241%	0.095%	3.727%	1.162%	0.867%	0.220%
83	LHI - Other	2682.2,.9	" "	5.668%	7.608%	4.241%	0.095%	3.727%	1.162%	0.867%	0.220%
OPERATING RENTS:											
84	A/C=61211,61212 & EXTC=59E,593,594		RNTRECON _____.XLS	19,215,784	44,175,381	867,552	591,725	1,215,653	449,924	758,647	851,651
HOUSE SERVICE EXPENSE:											
85	A/C=61212 & EXTC NE 59E,593,594		HSEMAINT_10003.XLS	2,279,694	4,926,824	497,834	585,883	1,118,459	1,302,739	449,351	1,555,147
CARRYING CHARGE FACTORS:											
86	Rate of Return		QWEST CORP ROR	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%
87	Grossed-up FIT		CARYCHGS.XLS"	0.02561	0.02664	0.02523	0.02538	0.02538	0.02668	0.02787	0.02526
88	Grossed-up SIT		" "	0.00589	0.00387	0.00642	0.00563	0.00589	0.00422	0.00000	0.00903
89	Property Tax Loading Rate		" "	0.01417	0.01003	0.00855	0.00921	0.00389	0.00238	0.00340	0.01036
90	Land & Bldg. Maint. Loading Rate		HSEMAINT_102003.XLS	0.03163	0.02962	0.02522	0.03201	0.01745	0.02192	0.02474	0.03113

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
DEPRECIATION RATES:											
69	Land	2111	"DEPR_RATES_102003	0%	0%	0%	0%	0%	0%	0%	
70	Vehicles	2112	Not in Rent Comp								
71	Aircraft	2113	Not in Rent Comp								
72	Buildings	2121	"DEPR_RATES_102003	4.2%	3.7%	3.4%	2.8%	2.7%	3.0%	2.2%	
73	Furniture	2122	" "	0.0%	0.0%	27.9%	6.7%	0.0%	0.5%	6.7%	
74	Artwork	2122	" "	0%	0%	0%	0%	0%	0%	0%	
75	Ofc Eq	2123.1	" "	8.4%	8.1%	10.8%	4.3%	5.4%	0.0%	10.8%	
76	OCS	2123.21	" "	0.0%	141.8%	0.0%	6.3%	0.0%	0.0%	0.0%	
77	OCS	2123.22	" "	0.0%	141.8%	0.0%	6.3%	0.0%	0.0%	0.0%	
78	Computers	2124	" "	0.0%	0.0%	8.3%	0.0%	10.1%	10.0%	14.1%	
79	LSE Bldg	2681.1	"LSERATE102003.XLS"	25.568%	32.919%	0.000%	0.000%	0.000%	5.035%	57.894%	
80	LSE Comp	2681.3	" "	25.568%	32.919%	0.000%	0.000%	0.000%	5.035%	57.894%	
81	LSE Other	2681.9	" "	25.568%	32.919%	0.000%	0.000%	0.000%	5.035%	57.894%	
82	LHI - Building	2682.1	"LSERATE102003.XLS"	6.776%	2.249%	4.656%	0.000%	0.000%	2.454%	7.080%	
83	LHI - Other	2682.2,.9	" "	6.776%	2.249%	4.656%	0.000%	0.000%	2.454%	7.080%	
OPERATING RENTS:											
84	A/C=61211,61212 & EXTC=59E,593,594		RNTRECON _____.XLS	11,407,645	14,842,272	42,439	207,149	1,080	1,245,922	6,513,471	102,386,296
HOUSE SERVICE EXPENSE:											
85	A/C=61212 & EXTC NE 59E,593,594		HSEMAINT_10003.XLS	2,965,908	1,036,044	330,031	428,844	30,164	1,482,880	3,495,126	22,484,928
CARRYING CHARGE FACTORS:											
86	Rate of Return		QWEST CORP ROR	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%	8.74%	
87	Grossed-up FIT		CARYCHGS.XLS"	0.02526	0.02641	0.02655	0.02957	0.02579	0.02629	0.02915	
88	Grossed-up SIT		" "	0.00869	0.00631	0.00623	0.00000	0.00656	0.00568	0.00000	
89	Property Tax Loading Rate		" "	0.00045	0.00642	0.00000	0.00999	0.02345	0.00658	0.00643	
90	Land & Bldg. Maint. Loading Rate		HSEMAINT_102003.XLS	0.02868	0.04074	0.02822	0.02203	0.02395	0.02484	0.02604	

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

BLUE = INPUT AREAS

CURRENT STUDY DATA (JAN 2004)

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
HEADQUARTER INVESTMENT FACTORS:											
91	Building Study Factor		"MSBLG102003.XLS"	0.01971	0.16284	0.01429	0.07475	0.20214	0.17892	0.18211	0.09128
92	Headcount Study Factor		" "	0.31629	0.27690	0.41503	0.30402	0.21924	0.25383	0.44764	0.20662
93	Capital Lease Study Factor		" "	0.00000	0.00000	0.23333	0.00000	0.00000	0.00000	0.00000	0.00000
94	Leasehold Imrovement Study Factor		" "	0.23090	0.24786	0.19874	0.00000	0.24319	0.00690	0.00000	0.00000
95	Operating Rents Study Factor		" "	0.26983	0.24573	0.32446	0.00139	0.34478	0.00000	0.41844	0.00000
96	Vehicle Study Factor		NOT USED								
97	Aircraft Study Factor		NOT USED								
98	Computer Study Factor		"MSFACT42003.XLS"	0.57628	0.69923	0.52260	0.49171	0.76204	0.82466	0.64498	0.51130
99	Leased Computer Factor		100% HQ MS	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
CENTRALIZED INVESTMENT FACTORS:											
100	Building Study Factor		"MSBLG102003.XLS"	0.00357	0.07148	0.00041	0.00352	0.05441	0.12709	0.00365	0.12428
101	Headcount Study Factor		" "	0.07716	0.21966	0.29832	0.01759	0.11335	0.32629	0.01047	0.33078
102	Capital Lease Study Factor		" "	0.00000	0.00000	0.48613	0.00000	0.00000	0.00000	0.00000	0.00000
103	Leasehold Imrovement Study Factor		" "	0.04937	0.05013	0.40647	0.01283	0.00000	0.02365	0.02440	0.00455
104	Operating Rents Study Factor		" "	0.06523	0.01737	0.00244	0.01951	0.00154	0.00000	0.00521	0.00958
105	Vehicle Study Factor		NOT USED								
106	Computer Study Factor		"MSFACT42003.XLS"	0.05321	0.08488	0.19933	0.01759	0.03839	0.07406	0.00829	0.17643
HEADQUARTER & CENTRALIZED DISTRIBUTION FACTORS:											
HEADQUARTER:											
107	Charged Through HQ To:		"HQPR102003.XLS"	0.165425	0.166320	0.030585	0.023528	0.052580	0.063788	0.016088	0.064237
CENTRALIZED:		Charged To:									
108	Charged Through CENT From:	AZ	"CENTPR_102003.XLS"	0.457344	0.112446	0.012890	0.010369	0.150925	0.031334	0.010996	0.025252
109		CO	" "	0.121852	0.432044	0.028262	0.021283	0.036566	0.054349	0.044694	0.026934
110		ID-S	" "	0.143964	0.223012	0.040739	0.031224	0.044649	0.082211	0.023790	0.048047
111		MT	" "	0.016744	0.251364	0.083827	0.062285	0.005277	0.175402	0.024441	0.005621
112		NM	" "	0.553196	0.160852	0.002330	0.002550	0.171521	0.006125	0.001032	0.000576
113		UT	" "	0.164357	0.199524	0.045811	0.035462	0.053652	0.107463	0.025492	0.039270
114		WY	" "	0.000000	0.987561	0.000000	0.000000	0.000000	0.000000	0.012439	0.000000
115		IA	" "	0.141277	0.143913	0.023489	0.019168	0.043793	0.053516	0.015627	0.099416
116		MN	" "	0.090876	0.090528	0.014739	0.024590	0.027883	0.034325	0.011538	0.128072
117		NE	" "	0.004550	0.004895	0.000786	0.000635	0.001440	0.001774	0.000553	0.331400
118		ND	" "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.057080
119		SD	" "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.076287
120		ID-N	" "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
121		OR	" "	0.195385	0.210978	0.032629	0.026591	0.061469	0.075408	0.023762	0.068755
122		WA	" "	0.075355	0.080854	0.018419	0.013959	0.024024	0.036071	0.009545	0.025876

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
HEADQUARTER INVESTMENT FACTORS:											
91	Building Study Factor		"MSBLG102003.XLS"	0.08775	0.18554	0.18578	0.18515	0.00000	0.13416	0.13455	
92	Headcount Study Factor		" "	0.24340	0.32759	0.47619	0.40268	0.00000	0.20939	0.22924	
93	Capital Lease Study Factor		" "	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	
94	Leasehold Imrovement Study Factor		" "	0.08968	0.40351	0.00000	0.00000	0.00000	0.00245	0.00735	
95	Operating Rents Study Factor		" "	0.09508	0.68494	0.00000	0.00000	0.00000	0.00000	0.06853	
96	Vehicle Study Factor		NOT USED								
97	Aircraft Study Factor		NOT USED								
98	Computer Study Factor		"MSFACT42003.XLS"	0.63630	0.87811	0.67627	0.61091	0.24362	0.62087	0.68301	
99	Leased Computer Factor		100% HQ MS	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	
CENTRALIZED INVESTMENT FACTORS:											
100	Building Study Factor		"MSBLG102003.XLS"	0.08403	0.16051	0.00332	0.00812	0.00000	0.02994	0.09550	
101	Headcount Study Factor		" "	0.20132	0.25398	0.01361	0.02013	0.00000	0.07293	0.18010	
102	Capital Lease Study Factor		" "	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	
103	Leasehold Imrovement Study Factor		" "	0.11789	0.00156	0.00000	0.00000	0.00000	0.00184	0.00702	
104	Operating Rents Study Factor		" "	0.07418	0.00042	0.00000	0.00000	0.00000	0.00555	0.00389	
105	Vehicle Study Factor		NOT USED								
106	Computer Study Factor		"MSFACT42003.XLS"	0.10136	0.04288	0.00987	0.01040	0.00000	0.04282	0.07833	
HEADQUARTER & CENTRALIZED DISTRIBUTION FACTORS:											
HEADQUARTER:											
107	Charged Through HQ To:		"HQPR102003.XLS"	0.132499	0.026646	0.012095	0.014460	0.001837	0.082829	0.147083	1.000000
CENTRALIZED:		Charged To:									
108	Charged Through CENT From:	AZ	"CENTPR_102003.XLS"	0.052792	0.015458	0.005879	0.007625	0.000803	0.040026	0.065861	1.000000
109		CO	" "	0.056751	0.016630	0.006027	0.007738	0.001681	0.056307	0.088882	1.000000
110		ID-S	" "	0.102249	0.029420	0.011396	0.014608	0.002425	0.071383	0.130883	1.000000
111		MT	" "	0.011838	0.003443	0.001316	0.001711	0.005128	0.125607	0.225996	1.000000
112		NM	" "	0.001212	0.000353	0.000135	0.000175	0.000134	0.085737	0.014072	1.000000
113		UT	" "	0.082686	0.024040	0.009208	0.011942	0.002044	0.070952	0.128097	1.000000
114		WY	" "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	1.000000
115		IA	" "	0.178024	0.048612	0.018387	0.022853	0.001438	0.068418	0.122069	1.000000
116		MN	" "	0.307782	0.057765	0.028750	0.032854	0.000891	0.069759	0.079648	1.000000
117		NE	" "	0.407370	0.154455	0.039468	0.046397	0.000048	0.002223	0.004006	1.000000
118		ND	" "	0.419376	0.034942	0.239081	0.249521	0.000000	0.000000	0.000000	1.000000
119		SD	" "	0.438380	0.036599	0.181783	0.266952	0.000000	0.000000	(0.000001)	1.000000
120		ID-N	" "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
121		OR	" "	0.145957	0.041859	0.015894	0.021190	0.000909	0.026265	0.052949	1.000000
122		WA	" "	0.054700	0.015243	0.005864	0.007804	0.004694	0.227007	0.400585	1.000000

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

BLUE = INPUT AREAS

CURRENT STUDY DATA (JAN 2004)

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
					NON REG INPUTS BELOW						
	REG/NONREG DISTRIBUTION		SOURCE: TSOF - FOCEXEC "DICKRENC" 10/2003		**INPUTS TO WORKSHEET K-NR WORKSHEET**						
	REG	GENL ALL	310	0	0	0	0	0	1030	0	0
	REG	2111LAND	310	12488216	18727984	1356755	1661859	6186457	8816779	2356949	6885361
	REG	2112VEHI	310	64432061	68092418	10150232	7742289	19106420	21624797	7712323	16712077
	REG	2121BLDG	310	230137387	607513100	40721348	45103525	157688063	214291409	61846782	191095205
	REG	2122FURN	310	1690295	550741	22214	14428	112277	222428	80840	48016
	REG	2123OFEQ	310	7250954	14264451	779813	550577	10286404	2996009	587307	1672665
	REG	2124COMP	310	87166138	602874488	10953096	6562201	44760890	114366774	6123990	26992954
	REG	2681EX.1	310	6819436	25328774	3861998	482679	5721213	13289437	385635	1693320
	REG	9COE/OSP	310	5900486587	6333180771	1035631262	829431320	1883609603	2365028207	718476574	2016539334
	NONRG	GENL ALL	310	0	0	0	0	0	60	0	0
	NONRG	2111LAND	310	326604	930477	50554	71360	366296	416255	95316	377452
	NONRG	2112VEHI	310	6070651	6752155	1079460	642630	2153693	1880481	739521	1935228
	NONRG	2121BLDG	310	6018785	30183550	1517331	1936726	9336605	10117054	2501099	10475742
	NONRG	2122FURN	310	206587	69759	2967	1835	14681	29633	9802	6411
	NONRG	2123OFEQ	310	886206	1806785	104143	70007	1345017	399139	71210	223316
	NONRG	2124COMP	310	9094432	71110299	1325376	763350	5679133	11832342	675200	3367547
	NONRG	2681EX.1	310	210508	2245670	68149	2334	379483	987611	2290	27517
	NONRG	9COE/OSP	310	24947466	44134720	3743672	3266671	9393495	12983470	719582	6669620

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
	REG/NONREG DISTRIBUTION		SOURCE: TSOF - FOCEXEC "DICKR 10/2003								
	REG	GENL ALL	310	14	0	0	0	0	0	0	
	REG	2111LAND	310	13587711	4072806	1830286	1239777	66793	7554937	10740650	
	REG	2112VEHI	310	38523874	8667999	3353438	4563355	292641	29597708	51283968	
	REG	2121BLDG	310	370742389	133748773	36491272	66431916	3386427	168008808	295956340	
	REG	2122FURN	310	117628	327643	0	0	2239	175324	445364	
	REG	2123OFEQ	310	5378736	7582577	283941	343613	3119	3857011	8277735	
	REG	2124COMP	310	117550730	169052635	5257580	4972280	10088	39730349	138086044	
	REG	2681EX.1	310	6202385	6540217	1083535	454408	43529	8842653	14471910	
	REG	9COE/OSP	310	4238365045	1220626449	467739383	617100802	70132968	2870962434	5243321620	
	NONRG	GENL ALL	310	1	0	0	0	0	0	0	
	NONRG	2111LAND	310	722689	231820	73958	68016	4068	403166	584313	
	NONRG	2112VEHI	310	4427819	871649	274927	398122	11240	2984011	6416546	
	NONRG	2121BLDG	310	19718666	7612836	1474535	3644543	206224	8965719	16100631	
	NONRG	2122FURN	310	17876	36627	0	0	329	23971	62464	
	NONRG	2123OFEQ	310	817405	847647	35137	47547	459	527347	1160976	
	NONRG	2124COMP	310	15432247	20937564	576614	568066	1188	4624372	16689504	
	NONRG	2681EX.1	310	272605	659692	22573	11716	421	416055	505739	
	NONRG	9COE/OSP	310	25645202	7770323	1684090	3013092	0	14694861	40117997	

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
STUDY INPUTS - WORKSHEET B

BLUE = INPUT AREAS

CURRENT STUDY DATA (JAN 2004)

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa

INPUTS TO WORKSHEET H-NR --- OREGON

SOURCE: CROSS BOUNDRY STUDY

	ANNUAL TOTAL
PLANT SPECIFIC EXPENSE (HSE SERV,RENTS)	0
PLANT SPECIFIC EXPENSE (L&B MAINT)	(186,426)
DEPRECIATION	(743,700)
FIT	(178,884)
SIT	(41,576)
ROR	(539,424)
PROPERTY TAX	(60,743)
	(1,750,755)

CROSS BOUNDARY		
INVESTMENT ANALYSIS		
PLANT IN SERVICE	XB - WKSHT "OREGON"	(8,924,768)
ACCUMULATED DEPRECIATION/AMORTIZATION	"	(4,868,353)
ACCUMULATED DEFERRED TAXES	"	1,060,627
UNAMORTIZED ITC	"	20,330

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC

SOURCE: CROSS BOUNDRY STUDY

PLANT SPECIFIC EXPENSE (HSE SERV,RENTS)
PLANT SPECIFIC EXPENSE (L&B MAINT)
DEPRECIATION
FIT
SIT
ROR
PROPERTY TAX

CROSS BOUNDARY
INVESTMENT ANALYSIS
PLANT IN SERVICE
ACCUMULATED DEPRECIATION/AMORTIZATION
ACCUMULATED DEFERRED TAXES
UNAMORTIZED ITC

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
SUPPORT ASSETS - NET INVESTMENT CALCULATION:											
TOTAL RESERVES :											
1	Land	2111	Wksht B:Dep+Def Tax+Unam ITC	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
2	Vehicles	2112	" " " "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
3	Aircraft	2113	" " " "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
4	Buildings	2121	" " " "	0.379740	0.356010	0.387680	0.529410	0.566410	0.403530	0.664240	0.328090
5	Furniture	2122	" " " "	0.795520	1.000000	1.000000	0.000000	1.000000	1.000000	1.000000	0.000000
6	Artwork	2122	" " " "	0.119520	0.119370	0.050730	0.102960	0.150660	0.147890	0.022960	0.133250
7	Ofc Eq	2123.1	" " " "	1.000000	1.000000	1.000000	0.340860	1.000000	1.000000	1.000000	1.000000
8	OCS	2123.2	" " " "	1.000000	0.373070	0.460450	0.524630	0.463610	0.933840	1.000000	0.646960
9	OCS	2123.2	" " " "	1.000000	0.373070	0.460450	0.524630	0.463610	0.933840	1.000000	0.646960
10	Computers	2124	" " " "	0.998570	1.000000	1.000000	0.464490	1.000000	1.000000	0.815140	0.655380
11	LSE Bldg	2681.1	" " " "	0.100740	0.777010	0.617680	0.056410	1.000000	0.126530	0.104240	1.000000
12	LSE Comp	2681.3,4	" " " "	0.723570	0.815720	0.853460	0.727490	0.801460	0.786940	0.785140	0.000000
13	LSE Other	2681.9	" " " "	0.080570	0.240720	0.062460	0.131490	0.265460	1.000000	1.000000	1.000000
14	LHI - Building	2682.1	" " " "	0.930740	0.728010	0.569680	0.763410	0.836410	1.000000	1.000000	1.000000
15	LHI - Other	682.2,.9	" " " "	0.869570	0.718720	0.538460	0.785490	0.796460	1.000000	1.000000	1.000000
NET INVESTMENT:											
16	Land	2111	(Wksht B Gross Invest.) * (1-Total Reserve)	12,812,913	19,232,521	1,407,310	1,733,219	6,552,067	9,231,321	2,191,883	7,019,892
17	Vehicles	2112	" "	0	0	0	0	0	0	0	0
18	Aircraft	2113	" "	0	0	0	0	0	0	0	0
19	Buildings	2121	" "	147,699,826	410,012,619	26,095,925	22,219,426	73,039,482	134,488,593	15,493,436	135,386,983
20	Furniture	2122	" "	362,032	0	0	16,263	0	0	0	26,194
21	Artwork	2122	" "	111,276	300,696	0	0	20,177	18,709	0	24,470
22	Ofc Eq	2123.1	" "	0	0	0	178,593	0	0	0	0
23	OCS	2123.2	" "	0	487,313	5,835	3,128	6,288	5,162	0	4,447
24	OCS	2123.2	" "	0	3,251,881	149,553	180,529	171,056	124,407	0	219,526
25	Computers	2124	" "	137,721	0	0	3,923,008	0	0	1,266,176	10,476,801
26	LSE Bldg	2681.1	" "	0	523,140	2,083,333	0	0	0	0	0
27	LSE Comp	2681.3,4	" "	0	2,126,917	0	0	0	1,924,230	0	0
28	LSE Other	2681.9	" "	0	0	0	0	0	0	0	0
29	LHI - Building	2682.1	" "	2,267,640	20,642,758	2,995,777	128,747	718,514	0	0	0
30	LHI - Other	682.2,.9	" "	0	0	0	0	0	0	0	0
31			TOTAL	163,391,407	456,577,845	32,737,733	28,382,912	80,507,585	145,792,422	18,951,496	153,158,314

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
SUPPORT ASSET-HEADQUARTERS INVESTMENT CALCULATION:											
GROSS HEADQUARTERS INVESTMENT:											
32	Land	2111	(Wksht B Gross Invest.)*(Wksht B Line 91)	252,542	3,131,862	20,109	129,557	1,324,431	1,651,634	399,174	640,766
33	Vehicles	2112	(Wksht B Gross Invest.)*(Wksht B Line 96)	0	0	0	0	0	0	0	0
34	Aircraft	2113	(Wksht B Gross Invest.)*(Wksht B Line 97)	0	0	0	0	0	0	0	0
35	Bldgs-Admin	2121	(Wksht B Gross Invest.)*(Wksht B Line 91)	4,693,454	103,677,496	608,967	3,529,371	34,050,964	40,341,001	8,403,570	18,392,262
36	Furniture	2122	(Wksht B Gross Invest.)*(Wksht B Line 92)	559,985	77,266	10,451	4,944	22,626	58,407	40,575	5,412
37	Artwork	2122	(Wksht B Gross Invest.)*(Wksht B Line 92)	39,973	94,548	0	0	5,208	5,573	0	5,833
38	Ofc Eq	2123.1	(Wksht B Gross Invest.)*(Wksht B Line 92)	1,870,267	2,895,750	271,513	82,374	2,481,136	378,882	64,102	302,141
39	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 92)	182,891	215,232	4,488	2,000	2,570	19,806	2,334	2,602
40	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 92)	585,225	1,436,257	115,037	115,456	69,916	477,300	306,208	128,477
41	Computers	2124	(Wksht B Gross Invest.)*(Wksht B Line 98)	55,500,446	471,443,863	6,555,988	3,602,117	38,469,872	104,444,286	4,417,738	15,543,963
42	LSE Bldg	2681.1	(Wksht B Gross Invest.)*(Wksht B Line 93)	0	0	1,271,452	0	0	0	0	0
43	LSE Comp	2681.3,4	(Wksht B Gross Invest.)*(Wksht B Line 99)	0	11,541,766	0	0	0	9,031,401	0	0
44	LSE Other	2681.9	(Wksht B Gross Invest.)*(Wksht B Line 92)	0	0	0	0	0	0	0	0
45	LHI - Building	2682.1	(Wksht B Gross Invest.)*(Wksht B Line 94)	7,559,768	18,811,065	1,383,589	0	1,068,145	10,024	0	0
46	LHI - Other	682.2,.9	(Wksht B Gross Invest.)*(Wksht B Line 92)	0	0	0	0	0	0	0	0
47			TOTAL	71,244,551	613,325,103	10,241,595	7,465,819	77,494,868	156,418,315	13,633,701	35,021,457
NET HEADQUARTERS INVESTMENT:											
48	Land	2111	(Net Investment)*(Wksht B Line 91)	252,542	3,131,862	20,109	129,557	1,324,431	1,651,634	399,174	640,766
49	Vehicles	2112	(Net Investment)*(Wksht B Line 96)	0	0	0	0	0	0	0	0
50	Aircraft	2113	(Net Investment)*(Wksht B Line 97)	0	0	0	0	0	0	0	0
51	Bldgs-Admin	2121	(Net Investment)*(Wksht B Line 91)	2,911,162	66,767,271	372,883	1,660,887	14,764,157	24,062,197	2,821,583	12,357,944
52	Furniture	2122	(Net Investment)*(Wksht B Line 92)	114,506	0	0	4,944	0	0	0	5,412
53	Artwork	2122	(Net Investment)*(Wksht B Line 92)	35,195	83,261	0	0	4,424	4,749	0	5,056
54	Ofc Eq	2123.1	(Net Investment)*(Wksht B Line 92)	0	0	0	54,296	0	0	0	0
55	OCS	2123.2	(Net Investment)*(Wksht B Line 92)	0	134,935	2,422	951	1,379	1,310	0	919
56	OCS	2123.2	(Net Investment)*(Wksht B Line 92)	0	900,433	62,068	54,884	37,502	31,578	0	45,358
57	Computers	2124	(Net Investment)*(Wksht B Line 98)	79,366	0	0	1,928,970	0	0	816,663	5,356,761
58	LSE Bldg	2681.1	(Net Investment)*(Wksht B Line 93)	0	0	486,101	0	0	0	0	0
59	LSE Comp	2681.3,4	(Net Investment)*(Wksht B Line 99)	0	2,126,917	0	0	0	1,924,230	0	0
60	LSE Other	2681.9	(Net Investment)*(Wksht B Line 92)	0	0	0	0	0	0	0	0
61	LHI - Building	2682.1	(Net Investment)*(Wksht B Line 94)	523,590	5,116,422	595,386	0	174,738	0	0	0
62	LHI - Other	682.2,.9	(Net Investment)*(Wksht B Line 92)	0	0	0	0	0	0	0	0
63			TOTAL	3,916,360	78,261,100	1,538,969	3,634,488	16,306,631	27,675,698	4,037,420	18,412,216

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
HEADQUARTERS DEPRECIATION EXPENSE:											
64	Land	2111	(Gross HQ Invest.)*(Wksht B Depreciation Rate)	0	0	0	0	0	0	0	0
65	Vehicles	2112	" "	0	0	0	0	0	0	0	0
66	Aircraft	2113	" "	0	0	0	0	0	0	0	0
67	Bldgs-Admin	2121	" "	140,804	3,006,647	17,660	119,999	1,089,631	1,048,866	352,950	459,807
68	Furniture	2122	" "	112,557	7,804	0	1,028	0	467	0	0
69	Artwork	2122	" "	0	0	0	0	0	0	0	0
70	Ofc Eq	2123.1	" "	0	0	0	8,732	235,708	43,950	0	0
71	OCS	2123.2	" "	0	20,017	498	166	262	1,109	0	289
72	OCS	2123.2	" "	0	133,572	12,769	9,583	7,131	26,729	0	14,261
73	Computers	2124	" "	0	0	0	7,204	0	0	159,039	1,569,940
74	LSE Bldg	2681.1	" "	0	0	54,711	0	0	0	0	0
75	LSE Comp	2681.3,4	" "	0	2,388,496	0	0	0	2,465,192	0	0
76	LSE Other	2681.9	" "	0	0	0	0	0	0	0	0
77	LHI - Building	2682.1	" "	428,478	1,431,061	58,679	0	39,813	116	0	0
78	LHI - Other	682.2,.9	" "	0	0	0	0	0	0	0	0
79			TOTAL	681,839	6,987,597	144,317	146,712	1,372,546	3,586,430	511,989	2,044,297

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
SUPPORT ASSET-CENTRALIZED INVESTMENT CALCULATION:											
GROSS CENTRALIZED INVESTMENT:											
80	Land	2111	(Wksht B Gross Invest.)*(Wksht B Line 100)	45,717	1,374,720	570	6,102	356,479	1,173,229	8,007	872,406
81	Vehicles	2112	(Wksht B Gross Invest.)*(Wksht B Line 105)	0	0	0	0	0	0	0	0
82	Bldgs-Admin	2121	(Wksht B Gross Invest.)*(Wksht B Line 100)	849,647	45,508,875	17,268	166,235	9,165,035	28,656,023	168,562	25,041,146
83	Furniture	2122	(Wksht B Gross Invest.)*(Wksht B Line 101)	136,605	61,294	7,512	286	11,698	75,082	949	8,665
84	Artwork	2122	(Wksht B Gross Invest.)*(Wksht B Line 101)	9,751	75,003	0	0	2,693	7,164	0	9,339
85	Ofc Eq	2123.1	(Wksht B Gross Invest.)*(Wksht B Line 101)	456,240	2,297,149	195,165	4,765	1,282,764	487,046	1,499	483,705
86	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 101)	44,615	170,740	3,226	116	1,329	25,460	55	4,166
87	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 101)	142,762	1,139,359	82,689	6,679	36,147	613,561	7,163	205,683
88	Computers	2124	(Wksht B Gross Invest.)*(Wksht B Line 106)	5,124,414	57,226,934	2,500,650	128,845	1,938,254	9,380,156	56,814	5,363,731
89	LSE Bldg	2681.1	(Wksht B Gross Invest.)*(Wksht B Line 102)	0	0	2,649,015	0	0	0	0	0
90	LSE Other	2681.9	(Wksht B Gross Invest.)*(Wksht B Line 101)	0	0	0	0	0	0	0	0
91	LHI - Building	2682.1	(Wksht B Gross Invest.)*(Wksht B Line 103)	1,616,314	3,804,757	2,829,709	6,980	0	34,361	13,384	9,961
92	LHI - Other	682.2,.9	(Wksht B Gross Invest.)*(Wksht B Line 101)	0	0	0	0	0	0	0	0
93			TOTAL	8,426,065	111,658,830	8,285,805	320,009	12,794,399	40,452,082	256,432	31,998,802
NET CENTRALIZED INVESTMENT:											
94	Land	2111	(Net Investment)*(Wksht B Line 100)	45,717	1,374,720	570	6,102	356,479	1,173,229	8,007	872,406
95	Vehicles	2112	(Net Investment)*(Wksht B Line 105)	0	0	0	0	0	0	0	0
96	Bldgs-Admin	2121	(Net Investment)*(Wksht B Line 100)	527,002	29,307,261	10,574	78,229	3,973,868	17,092,458	56,596	16,825,396
97	Furniture	2122	(Net Investment)*(Wksht B Line 101)	27,933	0	0	286	0	0	0	8,665
98	Artwork	2122	(Net Investment)*(Wksht B Line 101)	8,586	66,050	0	0	2,287	6,105	0	8,094
99	Ofc Eq	2123.1	(Net Investment)*(Wksht B Line 101)	0	0	0	3,141	0	0	0	0
100	OCS	2123.2	(Net Investment)*(Wksht B Line 101)	0	107,042	1,741	55	713	1,684	0	1,471
101	OCS	2123.2	(Net Investment)*(Wksht B Line 101)	0	714,298	44,615	3,175	19,389	40,593	0	72,614
102	Computers	2124	(Net Investment)*(Wksht B Line 106)	7,328	0	0	68,998	0	0	10,503	1,848,449
103	LSE Bldg	2681.1	(Net Investment)*(Wksht B Line 102)	0	0	1,012,771	0	0	0	0	0
104	LSE Other	2681.9	(Net Investment)*(Wksht B Line 101)	0	0	0	0	0	0	0	0
105	LHI - Building	2682.1	(Net Investment)*(Wksht B Line 103)	111,946	1,034,856	1,217,681	1,651	0	0	0	0
106	LHI - Other	682.2,.9	(Net Investment)*(Wksht B Line 101)	0	0	0	0	0	0	0	0
107			TOTAL	728,511	32,604,226	2,287,952	161,637	4,352,735	18,314,070	75,106	19,637,096

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE		Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
CENTRALIZED DEPRECIATION EXPENSE:												
108	Land	2111	(Gross Cent. Invest.)*(Wksht B Depreciation Rate)		0	0	0	0	0	0	0	0
109	Vehicles	2112	"	"	0	0	0	0	0	0	0	0
110	Bldgs-Admin	2121	"	"	25,489	1,319,757	501	5,652	293,281	745,057	7,080	626,029
111	Furniture	2122	"	"	27,458	6,191	0	59	0	601	0	0
112	Artwork	2122	"	"	0	0	0	0	0	0	0	0
113	Ofc Eq	2123.1	"	"	0	0	0	505	121,863	56,497	0	0
114	OCS	2123.2	"	"	0	15,879	358	10	136	1,426	0	462
115	OCS	2123.2	"	"	0	105,960	9,179	554	3,687	34,359	0	22,831
116	Computers	2124	"	"	0	0	0	258	0	0	2,045	541,737
117	LSE Bldg	2681.1	"	"	0	0	113,988	0	0	0	0	0
118	LSE Other	2681.9	"	"	0	0	0	0	0	0	0	0
119	LHI - Building	2682.1	"	"	91,611	289,449	120,010	7	0	399	116	22
120	LHI - Other	682.2, 9	"	"	0	0	0	0	0	0	0	0
121			TOTAL		144,558	1,737,236	244,035	7,045	418,966	838,339	9,241	1,191,081

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa
SUPPORT ASSET CARRYING CHARGE CALCULATION:											
HEADQUARTERS:											
122	Return on Investment		(Total Net HQ Investment)*(Wksht B Line 86)	342,290	6,840,020	134,506	335,134	1,425,200	2,418,856	352,871	1,609,228
123	Federal Income Taxes		(Total Net HQ Investment)*(Wksht B Line 87)	100,298	2,084,876	38,828	97,319	413,862	738,388	112,523	465,093
124	State Income Taxes		(Total Net HQ Investment)*(Wksht B Line 88)	23,067	302,870	9,880	21,588	96,046	116,791	0	166,262
125	Property Taxes		(Total HQ Investment)*(Wksht B Line 89)	1,009,535	6,151,651	87,566	68,760	301,455	372,276	46,355	362,822
126	Depreciation Expense		Line 79	681,839	6,987,597	144,317	146,712	1,372,546	3,586,430	511,989	2,044,297
127	Land & Bldg Expense		(Line 32 + Line 35)*(Wksht B Line 90)	156,442	3,163,693	15,865	117,122	617,301	920,479	217,780	592,498
128	Operating Rents		(Wksht B Line 84)*(Wksht B Line 95)	5,184,935	10,855,191	281,487	825	419,134	0	317,445	0
129	House Services		(Wksht B Line 85)*(Wksht B Line 92)	721,037	1,364,218	206,614	178,120	245,210	330,675	201,149	321,318
130	Total HQ Carrying Charges			8,219,443	37,750,117	919,064	965,581	4,890,753	8,483,894	1,760,111	5,561,517
CENTRALIZED:											
131	Return on Investment		(Total Net Cent. Investment)*(Wksht B Line 86)	63,672	2,849,609	199,967	14,127	380,429	1,600,650	6,564	1,716,282
132	Federal Income Taxes		(Total Net Cent. Investment)*(Wksht B Line 87)	18,657	868,577	57,725	4,102	110,472	488,619	2,093	496,033
133	State Income Taxes		(Total Net Cent. Investment)*(Wksht B Line 88)	4,291	126,178	14,689	910	25,638	77,285	0	177,323
134	Property Taxes		(Total Cent. Investment)*(Wksht B Line 89)	119,397	1,119,938	70,844	2,947	49,770	96,276	872	331,508
135	Depreciation Expense		Line 121	144,558	1,737,236	244,035	7,045	418,966	838,339	9,241	1,191,081
136	Land & Bldg Expense		(Line 80 + Line 82)*(Wksht B Line 90)	28,320	1,388,692	450	5,517	166,150	653,857	4,368	806,689
137	Operating Rents		(Wksht B Line 84)*(Wksht B Line 104)	1,253,533	767,113	2,117	11,546	1,874	0	3,954	8,156
138	House Services		(Wksht B Line 85)*(Wksht B Line 101)	175,892	1,082,211	148,515	10,304	126,775	425,076	4,705	514,406
139	Total Centralized Carrying Charges			1,808,321	9,939,554	738,341	56,499	1,280,076	4,180,102	31,798	5,241,477

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
SUPPORT ASSETS - NET INVESTMENT CALCULATION:											
TOTAL RESERVES :											
1	Land	2111	Wksht B:Dep+Def Tax+Unam ITC	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	
2	Vehicles	2112	" " " "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	
3	Aircraft	2113	" " " "	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	
4	Buildings	2121	" " " "	0.335170	0.402120	0.334780	0.410890	0.436100	0.363300	0.345400	
5	Furniture	2122	" " " "	0.000000	1.000000	0.000000	0.000000	1.000000	0.000000	0.000000	
6	Artwork	2122	" " " "	0.075330	0.145670	0.000000	0.000000	0.000000	0.127610	0.128130	
7	Ofc Eq	2123.1	" " " "	0.801400	0.502730	0.524690	0.194030	0.000000	1.000000	0.519010	
8	OCS	2123.2	" " " "	0.562520	1.000000	1.000000	0.399110	1.000000	0.317360	1.000000	
9	OCS	2123.2	" " " "	0.562520	1.000000	1.000000	0.399110	1.000000	0.317360	1.000000	
10	Computers	2124	" " " "	1.000000	1.000000	0.872940	0.991590	0.000000	0.632570	0.934600	
11	LSE Bldg	2681.1	" " " "	0.862170	0.101120	0.024780	0.037890	0.088100	0.115300	0.550400	
12	LSE Comp	2681.3,4	" " " "	0.782790	0.654830	0.846940	0.771590	0.930310	0.853570	0.828800	
13	LSE Other	2681.9	" " " "	1.000000	0.725830	1.000000	0.035590	0.100310	0.196570	0.684800	
14	LHI - Building	2682.1	" " " "	0.477170	0.773120	0.000000	1.000000	0.088100	0.443300	0.513400	
15	LHI - Other	682.2,.9	" " " "	0.489790	0.709830	0.000000	1.000000	0.100310	0.424570	0.473800	
NET INVESTMENT:											
16	Land	2111	(Wksht B Gross Invest.) * (1-Total Reserve)	14,301,640	4,304,625	1,904,244	1,306,230	70,861	7,958,103	11,324,964	101,351,793
17	Vehicles	2112	" "	0	0	0	0	0	0	0	0
18	Aircraft	2113	" "	0	0	0	0	0	0	0	0
19	Buildings	2121	" "	261,174,801	85,278,236	25,248,121	41,490,991	2,025,260	114,547,615	206,303,566	1,700,504,682
20	Furniture	2122	" "	63,696	0	0	0	0	185,719	271,099	925,004
21	Artwork	2122	" "	66,399	227,537	0	0	0	11,843	206,396	987,504
22	Ofc Eq	2123.1	" "	877,754	4,102,222	110,560	179,246	0	0	2,627,852	8,076,228
23	OCS	2123.2	" "	58,012	0	0	4,177	0	73,594	0	647,957
24	OCS	2123.2	" "	956,222	0	0	97,498	0	532,913	0	5,683,585
25	Computers	2124	" "	0	0	741,743	46,655	11,276	16,311,572	10,096,528	43,011,480
26	LSE Bldg	2681.1	" "	0	0	0	0	0	0	11,178	2,617,651
27	LSE Comp	2681.3,4	" "	0	1,765,531	0	0	0	0	0	5,816,678
28	LSE Other	2681.9	" "	0	241,324	0	0	0	0	0	241,324
29	LHI - Building	2682.1	" "	18,606,410	1,764,254	27,803	0	0	980,625	2,799,478	50,932,006
30	LHI - Other	682.2,.9	" "	0	0	0	0	0	0	0	0
31			TOTAL	296,104,936	97,683,729	28,032,470	43,124,798	2,107,397	140,601,984	233,641,062	1,920,796,090

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
SUPPORT ASSET-HEADQUARTERS INVESTMENT CALCULATION:											
GROSS HEADQUARTERS INVESTMENT:											
32	Land	2111	(Wksht B Gross Invest.)*(Wksht B Line 91)	1,254,982	798,673	353,770	241,846	0	1,067,644	1,523,731	12,790,722
33	Vehicles	2112	(Wksht B Gross Invest.)*(Wksht B Line 96)	0	0	0	0	0	0	0	0
34	Aircraft	2113	(Wksht B Gross Invest.)*(Wksht B Line 97)	0	0	0	0	0	0	0	0
35	Bldgs-Admin	2121	(Wksht B Gross Invest.)*(Wksht B Line 91)	34,472,465	26,464,159	7,051,186	13,039,991	0	24,136,154	42,403,553	361,264,593
36	Furniture	2122	(Wksht B Gross Invest.)*(Wksht B Line 92)	15,503	32,082	0	0	0	38,888	62,146	928,287
37	Artwork	2122	(Wksht B Gross Invest.)*(Wksht B Line 92)	17,478	87,247	0	0	0	2,843	54,267	312,970
38	Ofc Eq	2123.1	(Wksht B Gross Invest.)*(Wksht B Line 92)	1,075,736	2,702,418	110,765	89,556	0	740,831	1,252,426	14,317,897
39	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 92)	32,276	12,761	2,547	2,800	0	22,574	27,092	531,974
40	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 92)	532,002	69,188	40,329	65,338	0	163,465	918,781	5,022,978
41	Computers	2124	(Wksht B Gross Invest.)*(Wksht B Line 98)	84,719,346	166,861,986	3,947,868	3,389,078	2,747	27,562,608	105,766,721	1,092,228,628
42	LSE Bldg	2681.1	(Wksht B Gross Invest.)*(Wksht B Line 93)	0	0	0	0	0	0	0	1,271,452
43	LSE Comp	2681.3,4	(Wksht B Gross Invest.)*(Wksht B Line 99)	0	5,114,960	0	0	0	0	0	25,688,126
44	LSE Other	2681.9	(Wksht B Gross Invest.)*(Wksht B Line 92)	0	288,340	0	0	0	0	0	288,340
45	LHI - Building	2682.1	(Wksht B Gross Invest.)*(Wksht B Line 94)	3,191,397	3,137,791	0	0	0	4,318	42,302	35,208,399
46	LHI - Other	682.2,.9	(Wksht B Gross Invest.)*(Wksht B Line 92)	0	0	0	0	0	0	0	0
47			TOTAL	125,311,185	205,569,607	11,506,465	16,828,609	2,747	53,739,325	152,051,020	1,549,854,367
NET HEADQUARTERS INVESTMENT:											
48	Land	2111	(Net Investment)*(Wksht B Line 91)	1,254,982	798,673	353,770	241,846	0	1,067,644	1,523,731	12,790,722
49	Vehicles	2112	(Net Investment)*(Wksht B Line 96)	0	0	0	0	0	0	0	0
50	Aircraft	2113	(Net Investment)*(Wksht B Line 97)	0	0	0	0	0	0	0	0
51	Bldgs-Admin	2121	(Net Investment)*(Wksht B Line 91)	22,918,329	15,822,391	4,690,590	7,681,989	0	15,367,489	27,757,366	219,956,238
52	Furniture	2122	(Net Investment)*(Wksht B Line 92)	15,503	0	0	0	0	38,888	62,146	241,400
53	Artwork	2122	(Net Investment)*(Wksht B Line 92)	16,161	74,538	0	0	0	2,480	47,314	273,178
54	Ofc Eq	2123.1	(Net Investment)*(Wksht B Line 92)	213,641	1,343,831	52,648	72,179	0	0	602,404	2,339,000
55	OCS	2123.2	(Net Investment)*(Wksht B Line 92)	14,120	0	0	1,682	0	15,410	0	173,128
56	OCS	2123.2	(Net Investment)*(Wksht B Line 92)	232,740	0	0	39,261	0	111,588	0	1,515,412
57	Computers	2124	(Net Investment)*(Wksht B Line 98)	0	0	501,616	28,502	2,747	10,127,329	6,895,990	25,737,944
58	LSE Bldg	2681.1	(Net Investment)*(Wksht B Line 93)	0	0	0	0	0	0	0	486,101
59	LSE Comp	2681.3,4	(Net Investment)*(Wksht B Line 99)	0	1,765,531	0	0	0	0	0	5,816,678
60	LSE Other	2681.9	(Net Investment)*(Wksht B Line 92)	0	79,054	0	0	0	0	0	79,054
61	LHI - Building	2682.1	(Net Investment)*(Wksht B Line 94)	1,668,558	711,902	0	0	0	2,404	20,584	8,813,583
62	LHI - Other	682.2,.9	(Net Investment)*(Wksht B Line 92)	0	0	0	0	0	0	0	0
63			TOTAL	26,334,035	20,595,921	5,598,624	8,065,460	2,747	26,733,232	36,909,536	278,222,438

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
HEADQUARTERS DEPRECIATION EXPENSE:											
64	Land	2111	(Gross HQ Invest.)*(Wksht B Depreciation Rate)	0	0	0	0	0	0	0	0
65	Vehicles	2112	" "	0	0	0	0	0	0	0	0
66	Aircraft	2113	" "	0	0	0	0	0	0	0	0
67	Bldgs-Admin	2121	" "	1,447,844	979,174	239,740	365,120	0	724,085	932,878	10,925,203
68	Furniture	2122	" "	0	0	0	0	0	194	4,164	126,215
69	Artwork	2122	" "	0	0	0	0	0	0	0	0
70	Ofc Eq	2123.1	" "	90,362	218,896	11,963	3,851	0	0	135,262	748,723
71	OCS	2123.2	" "	0	18,096	0	176	0	0	0	40,613
72	OCS	2123.2	" "	0	98,108	0	4,116	0	0	0	306,269
73	Computers	2124	" "	0	0	327,673	0	277	2,756,261	14,913,108	19,733,502
74	LSE Bldg	2681.1	" "	0	0	0	0	0	0	0	54,711
75	LSE Comp	2681.3,4	" "	0	1,683,812	0	0	0	0	0	6,537,500
76	LSE Other	2681.9	" "	0	94,920	0	0	0	0	0	94,920
77	LHI - Building	2682.1	" "	216,259	70,553	0	0	0	106	2,995	2,248,061
78	LHI - Other	682.2,.9	" "	0	0	0	0	0	0	0	0
79			TOTAL	1,754,464	3,163,559	579,376	373,263	277	3,480,646	15,988,407	40,815,718

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
SUPPORT ASSET-CENTRALIZED INVESTMENT CALCULATION:											
GROSS CENTRALIZED INVESTMENT:											
80	Land	2111	(Wksht B Gross Invest.)*(Wksht B Line 100)	1,201,733	690,927	6,314	10,603	0	238,294	1,081,485	7,066,587
81	Vehicles	2112	(Wksht B Gross Invest.)*(Wksht B Line 105)	0	0	0	0	0	0	0	0
82	Bldgs-Admin	2121	(Wksht B Gross Invest.)*(Wksht B Line 100)	33,009,796	22,893,968	125,838	571,698	0	5,387,095	30,096,403	201,657,589
83	Furniture	2122	(Wksht B Gross Invest.)*(Wksht B Line 101)	12,823	24,874	0	0	0	13,544	48,825	402,156
84	Artwork	2122	(Wksht B Gross Invest.)*(Wksht B Line 101)	14,457	67,643	0	0	0	990	42,634	229,674
85	Ofc Eq	2123.1	(Wksht B Gross Invest.)*(Wksht B Line 101)	889,780	2,095,195	3,165	4,478	0	258,020	983,953	9,442,925
86	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 101)	26,696	9,894	73	140	0	7,862	21,285	315,656
87	OCS	2123.2	(Wksht B Gross Invest.)*(Wksht B Line 101)	440,037	53,641	1,152	3,267	0	56,932	721,829	3,510,902
88	Computers	2124	(Wksht B Gross Invest.)*(Wksht B Line 106)	13,495,316	8,148,711	57,618	57,715	0	1,900,840	12,129,391	117,509,389
89	LSE Bldg	2681.1	(Wksht B Gross Invest.)*(Wksht B Line 102)	0	0	0	0	0	0	0	2,649,015
90	LSE Other	2681.9	(Wksht B Gross Invest.)*(Wksht B Line 101)	0	223,551	0	0	0	0	0	223,551
91	LHI - Building	2682.1	(Wksht B Gross Invest.)*(Wksht B Line 103)	4,195,387	12,105	0	0	0	3,246	40,360	12,566,564
92	LHI - Other	682.2,.9	(Wksht B Gross Invest.)*(Wksht B Line 101)	0	0	0	0	0	0	0	0
93			TOTAL	53,286,026	34,220,509	194,159	647,900	0	7,866,824	45,166,165	355,574,008
NET CENTRALIZED INVESTMENT:											
94	Land	2111	(Net Investment)*(Wksht B Line 100)	1,201,733	690,927	6,314	10,603	0	238,294	1,081,485	7,066,587
95	Vehicles	2112	(Net Investment)*(Wksht B Line 105)	0	0	0	0	0	0	0	0
96	Bldgs-Admin	2121	(Net Investment)*(Wksht B Line 100)	21,945,902	13,687,846	83,710	336,793	0	3,429,963	19,701,105	127,056,703
97	Furniture	2122	(Net Investment)*(Wksht B Line 101)	12,823	0	0	0	0	13,544	48,825	112,076
98	Artwork	2122	(Net Investment)*(Wksht B Line 101)	13,368	57,790	0	0	0	864	37,172	200,314
99	Ofc Eq	2123.1	(Net Investment)*(Wksht B Line 101)	176,710	1,041,877	1,504	3,609	0	0	473,272	1,700,114
100	OCS	2123.2	(Net Investment)*(Wksht B Line 101)	11,679	0	0	84	0	5,367	0	129,836
101	OCS	2123.2	(Net Investment)*(Wksht B Line 101)	192,508	0	0	1,963	0	38,864	0	1,128,020
102	Computers	2124	(Net Investment)*(Wksht B Line 106)	0	0	7,321	485	0	698,426	790,836	3,432,346
103	LSE Bldg	2681.1	(Net Investment)*(Wksht B Line 102)	0	0	0	0	0	0	0	1,012,771
104	LSE Other	2681.9	(Net Investment)*(Wksht B Line 101)	0	61,291	0	0	0	0	0	61,291
105	LHI - Building	2682.1	(Net Investment)*(Wksht B Line 103)	2,193,474	2,746	0	0	0	1,807	19,639	4,583,800
106	LHI - Other	682.2,.9	(Net Investment)*(Wksht B Line 101)	0	0	0	0	0	0	0	0
107			TOTAL	25,748,198	15,542,477	98,849	353,537	0	4,427,129	22,152,334	146,483,857

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
CENTRALIZED DEPRECIATION EXPENSE:											
108	Land	2111	(Gross Cent. Invest.)*(Wksht B Depreciation Rate)	0	0	0	0	0	0	0	0
109	Vehicles	2112	" "	0	0	0	0	0	0	0	0
110	Bldgs-Admin	2121	" "	1,386,411	847,077	4,279	16,008	0	161,613	662,121	6,100,354
111	Furniture	2122	" "	0	0	0	0	0	68	3,271	37,647
112	Artwork	2122	" "	0	0	0	0	0	0	0	0
113	Ofc Eq	2123.1	" "	74,742	169,711	342	193	0	0	106,267	530,119
114	OCS	2123.2	" "	0	14,030	0	9	0	0	0	32,309
115	OCS	2123.2	" "	0	76,064	0	206	0	0	0	252,840
116	Computers	2124	" "	0	0	4,782	0	0	190,084	1,710,244	2,449,150
117	LSE Bldg	2681.1	" "	0	0	0	0	0	0	0	113,988
118	LSE Other	2681.9	" "	0	73,592	0	0	0	0	0	73,592
119	LHI - Building	2682.1	" "	284,292	272	0	0	0	80	2,857	789,115
120	LHI - Other	682.2,.9	" "	0	0	0	0	0	0	0	0
121			TOTAL	1,745,445	1,180,745	9,403	16,415	0	351,844	2,484,761	10,379,113

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
CALCULATION OF MULTISTATE COSTS - WORKSHEET C

Line	Description	Account	SOURCE	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
SUPPORT ASSET CARRYING CHARGE CALCULATION:											
HEADQUARTERS:											
122	Return on Investment		(Total Net HQ Investment)*(Wksht B Line 86)	2,301,595	1,800,084	489,320	704,921	240	2,336,484	3,225,893	24,316,641
123	Federal Income Taxes		(Total Net HQ Investment)*(Wksht B Line 87)	665,198	543,938	148,643	238,496	71	702,817	1,075,913	7,426,262
124	State Income Taxes		(Total Net HQ Investment)*(Wksht B Line 88)	228,843	129,960	34,879	0	18	151,845	0	1,282,051
125	Property Taxes		(Total HQ Investment)*(Wksht B Line 89)	56,390	1,319,757	0	168,118	64	353,605	977,688	11,276,041
126	Depreciation Expense		Line 79	1,754,464	3,163,559	579,376	373,263	277	3,480,646	15,988,407	40,815,718
127	Land & Bldg Expense		(Line 32 + Line 35)*(Wksht B Line 90)	1,024,663	1,110,688	208,968	292,599	0	626,062	1,143,866	10,208,026
128	Operating Rents		(Wksht B Line 84)*(Wksht B Line 95)	1,084,678	10,166,098	0	0	0	0	446,380	28,756,174
129	House Services		(Wksht B Line 85)*(Wksht B Line 92)	721,888	339,394	157,158	172,689	0	310,504	801,217	6,071,188
130	Total HQ Carrying Charges			7,837,718	18,573,478	1,618,344	1,950,086	671	7,961,962	23,659,364	130,152,103
CENTRALIZED:											
131	Return on Investment		(Total Net Cent. Investment)*(Wksht B Line 86)	2,250,392	1,358,413	8,639	30,899	0	386,931	1,936,114	12,802,689
132	Federal Income Taxes		(Total Net Cent. Investment)*(Wksht B Line 87)	650,399	410,477	2,624	10,454	0	116,389	645,741	3,882,364
133	State Income Taxes		(Total Net Cent. Investment)*(Wksht B Line 88)	223,752	98,073	616	0	0	25,146	0	773,901
134	Property Taxes		(Total Cent. Investment)*(Wksht B Line 89)	23,979	219,696	0	6,473	0	51,764	290,418	2,383,881
135	Depreciation Expense		Line 121	1,745,445	1,180,745	9,403	16,415	0	351,844	2,484,761	10,379,113
136	Land & Bldg Expense		(Line 80 + Line 82)*(Wksht B Line 90)	981,187	960,849	3,729	12,828	0	139,735	811,872	5,964,243
137	Operating Rents		(Wksht B Line 84)*(Wksht B Line 104)	846,169	6,307	0	0	0	6,920	25,343	2,933,033
138	House Services		(Wksht B Line 85)*(Wksht B Line 101)	597,099	263,133	4,490	8,634	0	108,144	629,466	4,098,853
139	Total Centralized Carrying Charges			7,318,423	4,497,692	29,502	85,703	0	1,186,873	6,823,715	43,218,076

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT DISTRIBUTION SUMMARY - WORKSHEET D

Lin	Description	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa	Minnesota	Nebraska
MULTISTATE ASSET CARRYING CHARGES BEFORE DISTRIBUTION:												
1	Total Headquarter Carrying Charges	Wksht C Line 130	8,219,443	37,750,117	919,064	965,581	4,890,753	8,483,894	1,760,111	5,561,517	7,837,718	18,573,478
2	Total Centralized Carrying Charges	Wksht C Line 139	1,808,321	9,939,554	738,341	56,499	1,280,076	4,180,102	31,798	5,241,477	7,318,423	4,497,692
	TOTAL		10,027,764	47,689,671	1,657,405	1,022,080	6,170,829	12,663,996	1,791,909	10,802,995	15,156,141	23,071,169
MULTISTATE ASSET CARRYING CHARGES AFTER DISTRIBUTION:												
3	Total Headquarter Carrying Charges	Wksht E	13,310,971	(16,103,218)	3,061,640	2,096,641	1,952,644	(181,752)	333,776	2,799,062	9,407,304	(15,105,445)
4	Total Centralized Carrying Charges	Wksht E	3,904,394	(1,950,711)	194,103	761,962	510,356	(2,180,256)	821,716	(1,512,117)	(621,284)	(2,651,482)
	TOTAL		17,215,365	(18,053,929)	3,255,743	2,858,603	2,463,000	(2,362,008)	1,155,492	1,286,945	8,786,020	(17,756,927)
	UPDATED RENT COMP AMOUNTS											
5	TOTAL RENT COMPENSATION	UPDATE	17,215,365	(18,053,929)	3,255,743	2,858,603	2,463,000	(2,362,008)	1,155,492	1,286,945	8,786,020	(17,756,927)
6	MONTHLY CHARGE (CREDIT)	L20 /12	1,434,614	(1,504,494)	271,312	238,217	205,250	(196,834)	96,291	107,245	732,168	(1,479,744)
7	MONTHLY CROSS-BOUNDARY COMP	"XB62001.XLS"	-	-	-	-	-	-	-	-	-	-
8	TOTAL RENT COMP MONTHLY (5240.8)	L21+L22	1,434,614	(1,504,494)	271,312	238,217	205,250	(196,834)	96,291	107,245	732,168	(1,479,744)
9	ANNUAL RENT COMP + XBDRY:	L8*12	17,215,368	(18,053,928)	3,255,744	2,858,604	2,463,000	(2,362,008)	1,155,492	1,286,940	8,786,016	(17,756,928)

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT DISTRIBUTION SUMMARY - WORKSHEET D

Lin	Description	SOURCE	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
	MULTISTATE ASSET CARRYING CHARGES BEFORE DISTRIBU							
1	Total Headquarter Carrying Charges	Wksht C Line 130	1,618,344	1,950,086	671	7,961,962	23,659,364	130,152,103
2	Total Centralized Carrying Charges	Wksht C Line 139	29,502	85,703	-	1,186,873	6,823,715	43,218,076
	TOTAL		1,647,846	2,035,789	671	9,148,835	30,483,079	173,370,178
	MULTISTATE ASSET CARRYING CHARGES AFTER DISTRIBUT							
3	Total Headquarter Carrying Charges	Wksht E	(44,154)	(68,087)	238,415	2,818,404	(4,516,201)	-
4	Total Centralized Carrying Charges	Wksht E	653,992	743,566	76,340	2,370,653	(1,121,232)	-
	TOTAL		609,838	675,479	314,755	5,189,057	(5,637,433)	-
	UPDATED RENT COMP AMOUNTS							
5	TOTAL RENT COMPENSATION	UPDATE	609,838	675,479	314,755	5,189,057	(5,637,433)	-
6	MONTHLY CHARGE (CREDIT)	L20 /12	50,820	56,290	26,230	432,421	(469,786)	-
7	MONTHLY CROSS-BOUNDARY COMP	"XB62001.XLS"	-	-	(50,923)	(145,896)	196,819	0
8	TOTAL RENT COMP MONTHLY (5240.8)	L21+L22	50,820	56,290	(24,693)	286,525	(272,967)	-
9	ANNUAL RENT COMP + XBDRY:	L8*12	609,840	675,480	(296,316)	3,438,300	(3,275,604)	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT DISTRIBUTION DETAIL - WORKSHEET E

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa	Minnesota	Nebraska
DISTRIBUTION OF MULTISTATE HEADQUARTERS RENTS													
1	Distn Factors, Prorated HQ Expense		Wksht B Line 107	0.1654250	0.1663200	0.0305850	0.0235280	0.0525800	0.0637880	0.0160880	0.0642370	0.1324990	0.0266460
DISTRIBUTION OF HEADQUARTER CARRYING CHARGES:													
2	14 State Rent Comp		Wksht C Line 130	8,219,443	37,750,117	919,064	965,581	4,890,753	8,483,894	1,760,111	5,561,517	7,837,718	18,573,478
3	Arizona		L2E * L1	(6,859,740)	1,367,058	251,392	193,387	432,178	524,302	132,234	527,992	1,089,068	219,015
4	Colorado		L2F * L1	6,244,813	(31,471,517)	1,154,587	888,185	1,984,901	2,408,004	607,324	2,424,954	5,001,853	1,005,890
5	S Idaho		L2G * L1	152,036	152,859	(890,954)	21,624	48,324	58,625	14,786	59,038	121,775	24,489
6	Montana		L2H * L1	159,731	160,595	29,532	(942,861)	50,770	61,592	15,534	62,026	127,938	25,729
7	New Mexico		L2I * L1	809,053	813,430	149,584	115,070	(4,633,597)	311,971	78,682	314,167	648,020	130,319
8	Utah		L2J * L1	1,403,448	1,411,041	259,480	199,609	446,083	(7,942,723)	136,489	544,980	1,124,107	226,062
9	Wyoming		L2K * L1	291,166	292,742	53,833	41,412	92,547	112,274	(1,731,794)	113,064	233,213	46,900
10	Iowa		L2L * L1	920,014	924,992	170,099	130,851	292,425	354,758	89,474	(5,204,264)	736,895	148,192
11	Minnesota		L2M * L1	1,296,555	1,303,569	239,717	184,406	412,107	499,952	126,093	503,472	(6,799,228)	208,844
12	Nebraska		L2N *L1	3,072,518	3,089,141	568,070	436,997	976,593	1,184,765	298,810	1,193,104	2,460,967	(18,078,568)
13	N Dakota		L2O * L1	267,715	269,163	49,497	38,076	85,093	103,231	26,036	103,958	214,429	43,122
14	S Dakota		L2P *L1	322,593	324,338	59,643	45,882	102,536	124,392	31,373	125,268	258,384	51,962
15	Idaho-N		L2Q * L1	111	112	21	16	35	43	11	43	89	18
16	Oregon		L2R *L1	1,317,108	1,324,234	243,517	187,329	418,640	507,878	128,092	511,453	1,054,952	212,154
17	Washington		L2S * L1	3,913,850	3,935,025	723,622	556,658	1,244,009	1,509,184	380,632	1,519,807	3,134,842	630,427
18	TOTAL (NET):			13,310,971	(16,103,218)	3,061,640	2,096,641	1,952,644	(181,752)	333,776	2,799,062	9,407,304	(15,105,445)

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT DISTRIBUTION DETAIL - WORKSHEET E

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa	Minnesota	Nebraska
DISTRIBUTION OF CENTRALIZED CARRYING CHARGES:													
CENTRALIZED ASSET DISTRIBUTION FACTORS:													
1	Arizona		WORKSHEET B	0.45734	0.11245	0.01289	0.01037	0.15093	0.03133	0.01100	0.02525	0.05279	0.01546
2	Colorado		" "	0.12185	0.43204	0.02826	0.02128	0.03657	0.05435	0.04469	0.02693	0.05675	0.01663
3	S Idaho		" "	0.14396	0.22301	0.04074	0.03122	0.04465	0.08221	0.02379	0.04805	0.10225	0.02942
4	Montana		" "	0.01674	0.25136	0.08383	0.06229	0.00528	0.17540	0.02444	0.00562	0.01184	0.00344
5	New Mexico		" "	0.55320	0.16085	0.00233	0.00255	0.17152	0.00613	0.00103	0.00058	0.00121	0.00035
6	Utah		" "	0.16436	0.19952	0.04581	0.03546	0.05365	0.10746	0.02549	0.03927	0.08269	0.02404
7	Wyoming		" "	0.00000	0.98756	0.00000	0.00000	0.00000	0.00000	0.01244	0.00000	0.00000	0.00000
8	Iowa		" "	0.14128	0.14391	0.02349	0.01917	0.04379	0.05352	0.01563	0.09942	0.17802	0.04861
9	Minnesota		" "	0.09088	0.09053	0.01474	0.02459	0.02788	0.03433	0.01154	0.12807	0.30778	0.05777
10	Nebraska		" "	0.00455	0.00490	0.00079	0.00064	0.00144	0.00177	0.00055	0.33140	0.40737	0.15446
11	N Dakota		" "	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.05708	0.41938	0.03494
12	S Dakota		" "	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.07629	0.43838	0.03660
13	Idaho-N		" "	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
14	Oregon		" "	0.19539	0.21098	0.03263	0.02659	0.06147	0.07541	0.02376	0.06876	0.14596	0.04186
15	Washington		" "	0.07536	0.08085	0.01842	0.01396	0.02402	0.03607	0.00955	0.02588	0.05470	0.01524
DISTRIBUTION OF CENTRALIZED CARRYING CHARGES:													
16	Centralized Carrying Charges	FROM:	Wksht C Line 139	1,808,321	9,939,554	738,341	56,499	1,280,076	4,180,102	31,798	5,241,477	7,318,423	4,497,692
17	TO:	Arizona	L16E * L1	(981,295)	203,338	23,309	18,750	272,921	56,662	19,884	45,664	95,465	27,953
18		Colorado	L16F * L2	1,211,155	(5,645,230)	280,912	211,544	363,450	540,205	444,238	267,712	564,080	165,295
19		S Idaho	L16G * L3	106,295	164,659	(708,262)	23,054	32,966	60,700	17,565	35,475	75,495	21,722
20		Montana	L16H * L4	946	14,202	4,736	(52,982)	298	9,910	1,381	318	669	195
21		New Mexico	L16I * L5	708,133	205,903	2,983	3,264	(1,060,516)	7,840	1,321	737	1,551	452
22		Utah	L16J * L6	687,029	834,031	191,495	148,235	224,271	(3,730,898)	106,559	164,153	345,636	100,490
23		Wyoming	L16K * L7	0	31,402	0	0	0	0	(31,402)	0	0	0
24		Iowa	L16L * L8	740,500	754,317	123,117	100,469	229,540	280,503	81,909	(4,720,391)	933,109	254,799
25		Minnesota	L16M * L9	665,069	662,522	107,866	179,960	204,060	251,205	84,440	937,285	(5,065,945)	422,749
26		Nebraska	L16N * L10	20,464	22,016	3,535	2,856	6,477	7,979	2,487	1,490,535	1,832,225	(3,803,000)
27		N Dakota	L16O * L11	0	0	0	0	0	0	0	1,684	12,372	1,031
28		S Dakota	L16P * L12	0	0	0	0	0	0	0	6,538	37,570	3,137
29		Idaho-N	L16Q * L13	0	0	0	0	0	0	0	0	0	0
30		Oregon	L16R * L14	231,897	250,404	38,726	31,560	72,956	89,500	28,202	81,603	173,232	49,681
31		Washington	L16S * L15	514,201	551,725	125,686	95,252	163,933	246,138	65,132	176,570	373,257	104,014
32		TOTAL (NET):		3,904,394	(1,950,711)	194,103	761,962	510,356	(2,180,256)	821,716	(1,512,117)	(621,284)	(2,651,482)

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT DISTRIBUTION DETAIL - WORKSHEET E

Line	Description	Account	SOURCE	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
DISTRIBUTION OF MULTISTATE HEADQUARTERS RENTS									
1	Distn Factors, Prorated HQ Expense		Wksht B Line 107	0.0120950	0.0144600	0.0018370	0.0828290	0.1470830	1.00000
DISTRIBUTION OF HEADQUARTER CARRYING CHARGES:									
2	14 State Rent Comp		Wksht C Line 130	1,618,344	1,950,086	671	7,961,962	23,659,364	130,152,103
3	Arizona		L2E * L1	99,414	118,853	15,099	680,808	1,208,940	0
4	Colorado		L2F * L1	456,588	545,867	69,347	3,126,804	5,552,400	0
5	S Idaho		L2G * L1	11,116	13,290	1,688	76,125	135,179	0
6	Montana		L2H * L1	11,679	13,962	1,774	79,978	142,021	0
7	New Mexico		L2I * L1	59,154	70,720	8,984	405,096	719,347	0
8	Utah		L2J * L1	102,613	122,677	15,585	702,712	1,247,837	0
9	Wyoming		L2K * L1	21,289	25,451	3,233	145,788	258,882	0
10	Iowa		L2L * L1	67,267	80,420	10,217	460,655	818,005	0
11	Minnesota		L2M * L1	94,797	113,333	14,398	649,190	1,152,795	0
12	Nebraska		L2N *L1	224,646	268,572	34,119	1,538,423	2,731,843	0
13	N Dakota		L2O * L1	(1,598,771)	23,401	2,973	134,046	238,031	0
14	S Dakota		L2P *L1	23,586	(1,921,887)	3,582	161,524	286,824	0
15	Idaho-N		L2Q * L1	8	10	(672)	56	99	0
16	Oregon		L2R *L1	96,300	115,130	14,626	(7,302,482)	1,171,069	0
17	Washington		L2S * L1	286,160	342,114	43,462	1,959,681	(20,179,473)	0
18	TOTAL (NET):			(44,154)	(68,087)	238,415	2,818,404	(4,516,201)	0

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT DISTRIBUTION DETAIL - WORKSHEET E

Line	Description	Account	SOURCE	N Dakota	S Dakota	Idaho-N	Oregon	Washington	Total QC
DISTRIBUTION OF CENTRALIZED CARRYING CHARGES:									
CENTRALIZED ASSET DISTRIBUTION FACTORS:									
1	Arizona		WORKSHEET B	0.00588	0.00763	0.00080	0.04003	0.06586	1.00000
2	Colorado		" "	0.00603	0.00774	0.00168	0.05631	0.08888	1.00000
3	S Idaho		" "	0.01140	0.01461	0.00243	0.07138	0.13088	1.00000
4	Montana		" "	0.00132	0.00171	0.00513	0.12561	0.22600	1.00000
5	New Mexico		" "	0.00014	0.00018	0.00013	0.08574	0.01407	1.00000
6	Utah		" "	0.00921	0.01194	0.00204	0.07095	0.12810	1.00000
7	Wyoming		" "	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
8	Iowa		" "	0.01839	0.02285	0.00144	0.06842	0.12207	1.00000
9	Minnesota		" "	0.02875	0.03285	0.00089	0.06976	0.07965	1.00000
10	Nebraska		" "	0.03947	0.04640	0.00005	0.00222	0.00401	1.00000
11	N Dakota		" "	0.23908	0.24952	0.00000	0.00000	0.00000	1.00000
12	S Dakota		" "	0.18178	0.26695	0.00000	0.00000	0.00000	1.00000
13	Idaho-N		" "	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
14	Oregon		" "	0.01589	0.02119	0.00091	0.02627	0.05295	1.00000
15	Washington		" "	0.00586	0.00780	0.00469	0.22701	0.40059	1.00000
DISTRIBUTION OF CENTRALIZED CARRYING CHARGES:									
16	Centralized Carrying Charges	FROM:	Wksht C Line 139	29,502	85,703	0	1,186,873	6,823,715	43,218,076
17	TO:	Arizona	L16E * L1	10,631	13,788	1,452	72,380	119,098	0
18		Colorado	L16F * L2	59,906	76,912	16,708	559,666	883,447	0
19		S Idaho	L16G * L3	8,414	10,786	1,790	52,705	96,636	0
20		Montana	L16H * L4	74	97	290	7,097	12,769	0
21		New Mexico	L16I * L5	173	224	172	109,750	18,013	0
22		Utah	L16J * L6	38,490	49,919	8,544	296,587	535,459	0
23		Wyoming	L16K * L7	0	0	0	0	0	0
24		Iowa	L16L * L8	96,375	119,783	7,537	358,611	639,822	0
25		Minnesota	L16M * L9	210,405	240,439	6,521	510,526	582,898	0
26		Nebraska	L16N * L10	177,515	208,679	216	9,998	18,018	0
27		N Dakota	L16O * L11	(22,448)	7,361	0	0	0	0
28		S Dakota	L16P * L12	15,579	(62,824)	0	0	0	0
29		Idaho-N	L16Q * L13	0	0	0	0	0	0
30		Oregon	L16R * L14	18,864	25,150	1,079	(1,155,698)	62,844	0
31		Washington	L16S * L15	40,014	53,252	32,031	1,549,031	(4,090,236)	0
32		TOTAL (NET):		653,992	743,566	76,340	2,370,653	(1,121,232)	0

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
TOTAL GROSS INVESTMENT (LEDGER) BY CLASS										
1	Land	2111	Wksht B Gross Invest.	12,812,913	19,232,521	1,407,310	1,733,219	6,552,067	9,231,321	2,191,883
2	Vehicles	2112	" "	-	-	-	-	-	-	-
3	Aircraft	2113	" "	-	-	-	-	-	-	-
4	Buildings	2121	" "	238,125,666	636,675,443	42,618,116	47,216,104	168,452,876	225,474,195	46,144,377
5	Furniture	2122	" "	1,770,500	279,044	25,181	16,263	103,202	230,104	90,641
6	Artwork	2122	" "	126,381	341,456	-	-	23,756	21,956	-
7	Ofc Eq	2123.1	" "	5,913,204	10,457,698	654,208	270,948	11,317,020	1,492,659	143,199
8	OCS	2123.21	" "	578,246	777,301	10,815	6,579	11,724	78,028	5,214
9	OCS	2123.22	" "	1,850,299	5,186,993	277,182	379,764	318,902	1,880,392	684,043
10	Computers	2124	" "	96,308,662	674,237,500	12,545,006	7,325,742	50,482,542	126,651,677	6,849,379
11	LSE Bldg	2681.1	" "	-	2,346,025	5,449,185	-	-	-	-
12	LSE Comp	2681.3,4	" "	-	11,541,766	-	-	-	9,031,401	-
13	LSE Other	2681.9	" "	-	-	-	-	-	-	-
14	LHI - Building	2682.1	" "	32,740,973	75,895,281	6,961,743	544,177	4,392,162	1,452,704	548,469
15	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
16	Total Gross Support Investment			390,226,843	1,436,971,229	69,948,746	57,492,796	241,654,251	375,544,437	56,657,206
GROSS MS INVEST. BY CLASS BEFORE RC DISTRIBUTION:										
17	Land	2111	Wksht B(Gross HQ + Gross Cent Invest.)	298,260	4,506,582	20,679	135,659	1,680,910	2,824,863	407,181
18	Vehicles	2112	" "	-	-	-	-	-	-	-
19	Aircraft	2113	" "	-	-	-	-	-	-	-
20	Buildings	2121	" "	5,543,101	149,186,372	626,235	3,695,606	43,215,999	68,997,024	8,572,132
21	Furniture	2122	" "	696,590	138,560	17,963	5,230	34,324	133,489	41,524
22	Artwork	2122	" "	49,724	169,551	-	-	7,901	12,737	-
23	Ofc Eq	2123.1	" "	2,326,506	5,192,899	466,678	87,139	3,763,901	865,928	65,601
24	OCS	2123.21	" "	227,506	385,971	7,715	2,116	3,899	45,266	2,389
25	OCS	2123.22	" "	727,986	2,575,616	197,727	122,135	106,063	1,090,861	313,371
26	Computers	2124	" "	60,624,860	528,670,797	9,056,638	3,730,962	40,408,126	113,824,442	4,474,552
27	LSE Bldg	2681.1	" "	-	-	3,920,467	-	-	-	-
28	LSE Comp	2681.3,4	" "	-	11,541,766	-	-	-	9,031,401	-
29	LSE Other	2681.9	" "	-	-	-	-	-	-	-
30	LHI - Building	2682.1	" "	9,176,082	22,615,821	4,213,298	6,980	1,068,145	44,385	13,384
31	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
32	Total MS Invest. before RC Distribution			79,670,617	724,983,934	18,527,400	7,785,828	90,289,268	196,870,396	13,890,134
33	Percent Multistate Investment versus Total Le		L32/L16	0.204165	0.504522	0.264871	0.135423	0.373630	0.524227	0.245161

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
GROSS HQ AND CENT INVEST. BALANCES AFTER RENT COMPENSATION DISTRIBUTION:										
34	Land	2111	GROSS MULTISTATE INVEST ALLOCATED	2,759,940	(1,103,712)	531,521	306,070	(713,721)	(1,657,299)	(65,055)
35	Vehicles	2112	" "	-	-	-	-	-	-	-
36	Aircraft	2113	" "	-	-	-	-	-	-	-
37	Buildings	2121	" "	79,900,347	(51,665,492)	14,891,759	8,701,668	(16,213,117)	(36,280,904)	1,229,861
38	Furniture	2122	" "	(444,358)	86,557	19,472	23,815	46,494	(54,126)	(19,140)
39	Artwork	2122	" "	24,662	(75,494)	13,455	10,521	15,610	15,123	9,460
40	Ofc Eq	2123.1	" "	1,631,737	(1,123,649)	128,355	383,364	(2,514,811)	378,696	325,455
41	OCS	2123.21	" "	(86,709)	(206,169)	16,415	16,760	40,723	4,892	15,791
42	OCS	2123.22	" "	574,728	(936,387)	48,574	73,010	306,295	(573,396)	(145,607)
43	Computers	2124	" "	136,656,641	(315,465,802)	27,196,216	24,321,471	21,866,421	(38,288,909)	16,420,714
44	LSE Bldg	2681.1	" "	591,693	802,230	(3,773,661)	112,628	185,129	298,882	83,475
45	LSE Comp	2681.3,4	" "	4,249,458	(7,269,316)	785,671	604,390	1,350,682	(7,392,807)	413,271
46	LSE Other	2681.9	" "	48,716	49,051	8,995	6,926	15,483	18,789	4,762
47	LHI - Building	2682.1	" "	(1,349,366)	(13,896,263)	(2,827,717)	1,113,160	1,413,006	2,842,730	858,435
48	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
49	TOTAL RENT COMP GROSS INVESTMENT		" "	223,557,488	(390,804,447)	37,039,054	35,673,783	5,798,193	(80,688,327)	19,131,421
				July Rent Comp amounts are posted to the next years Headquarters Prorate Study.						
TOTAL GROSS INVESTMENT AFTER RC DISTRIBUTION:										
50	Land	2111	LINE 1 + LINE 34	15,572,852	18,128,809	1,938,831	2,039,288	5,838,346	7,574,022	2,126,828
51	Vehicles	2112	LINE 2 + LINE 35	-	-	-	-	-	-	-
52	Aircraft	2113	LINE 3 + LINE 36	-	-	-	-	-	-	-
53	Buildings	2121	LINE 4 + LINE 37	318,026,013	585,009,951	57,509,875	55,917,771	152,239,759	189,193,291	47,374,238
54	Furniture	2122	LINE 5 + LINE 38	1,326,142	365,600	44,653	40,078	149,696	175,979	71,502
55	Artwork	2122	LINE 6 + LINE 39	151,043	265,961	13,455	10,521	39,366	37,079	9,460
56	Ofc Eq	2123.1	LINE 7 + LINE 40	7,544,941	9,334,250	782,562	654,313	8,802,210	1,871,355	468,653
57	OCS	2123.21	LINE 8 + LINE 41	491,536	571,132	27,229	23,339	52,447	82,920	21,005
58	OCS	2123.22	LINE 9 + LINE 42	2,425,027	4,250,605	325,756	452,774	625,196	1,306,996	538,436
59	Computers	2124	LINE 10 + LINE 43	231,965,303	358,771,698	39,741,221	31,647,214	72,348,963	88,362,768	23,270,093
60	LSE Bldg	2681.1	LINE 11 + LINE 44	591,693	3,148,255	1,675,524	112,628	185,129	298,882	83,475
61	LSE Comp	2681.3,4	LINE 12 + LINE 45	4,249,458	4,272,449	785,671	604,390	1,350,682	1,638,594	413,271
62	LSE Other	2681.9	LINE 13 + LINE 46	48,716	49,051	8,995	6,926	15,483	18,789	4,762
63	LHI - Building	2682.1	LINE 14 + LINE 47	31,391,608	61,999,019	4,134,026	1,657,338	5,805,169	4,295,435	1,406,904
64	LHI - Other	2682.2,.9	LINE 15 + LINE 48	-	-	-	-	-	-	-
65	Tot. Invest. w/ Rent Comp		LINE 16 + LINE 49	613,784,331	1,046,166,781	106,987,800	93,166,579	247,452,445	294,856,110	75,788,627
66										

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
67										
68										
69										
70										
71										
72										
73										
74										
75										
76										
77										
78										
79										
80										
81										
82										
83										
INVESTMENT ALLOCATIONS - NO PRINTING										
ALLOCATION FACTORS										
	HEADQUARTERS			0.165425	0.166320	0.030585	0.023528	0.052580	0.063788	0.016088
CENTRALIZED			Charged To:							
	Charged Through CENT From: AZ	"CENTPR_102003.XLS"		0.457344	0.112446	0.012890	0.010369	0.150925	0.031334	0.010996
	CO	" "		0.121852	0.432044	0.028262	0.021283	0.036566	0.054349	0.044694
	ID-S	" "		0.143964	0.223012	0.040739	0.031224	0.044649	0.082211	0.023790
	MT	" "		0.016744	0.251364	0.083827	0.062285	0.005277	0.175402	0.024441
	NM	" "		0.553196	0.160852	0.002330	0.002550	0.171521	0.006125	0.001032
	UT	" "		0.164357	0.199524	0.045811	0.035462	0.053652	0.107463	0.025492
	WY	" "		-	0.987561	-	-	-	-	0.012439
	IA	" "		0.141277	0.143913	0.023489	0.019168	0.043793	0.053516	0.015627
	MN	" "		0.090876	0.090528	0.014739	0.024590	0.027883	0.034325	0.011538
	NE	" "		0.004550	0.004895	0.000786	0.000635	0.001440	0.001774	0.000553
	ND	" "		-	-	-	-	-	-	-
	SD	" "		-	-	-	-	-	-	-
	ID-N	" "		-	-	-	-	-	-	-
	OR	" "		0.195385	0.210978	0.032629	0.026591	0.061469	0.075408	0.023762
	WA	" "		0.075355	0.080854	0.018419	0.013959	0.024024	0.036071	0.009545
	HEADQUARTERS GROSS MULTISTATE INVESTMENT ALLOCATED									
	Land	2111	(WKSHT C TOT HQ INV*STATE HQ %)-WKSHT	1,863,363	(1,004,509)	371,095	171,383	(651,895)	(835,739)	(193,397)
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Aircraft	2113	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	55,068,741	(43,591,969)	10,440,310	4,970,463	(15,055,671)	(17,296,656)	(2,591,546)
	Furniture	2122	" "	(406,423)	77,127	17,941	16,897	26,183	806	(25,641)
	Artwork	2122	" "	11,800	(42,495)	9,572	7,364	11,248	14,391	5,035
	Ofc Eq	2123.1	" "	498,271	(514,397)	166,400	254,498	(1,728,301)	534,428	166,244
	OCE	2123.21	" "	(94,890)	(126,754)	11,782	10,516	25,401	14,128	6,224

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
	OCS	2123.22	"	"	245,702	(600,836)	38,590	2,725	194,192	(156,895)	(225,398)
	Computers	2124	"	"	125,181,475	(289,784,397)	26,849,824	22,095,838	18,959,510	(34,773,206)	13,154,036
	LSE Bldg	2681.1	"	"	210,330	211,468	(1,232,565)	29,915	66,853	81,103	20,455
	LSE Comp	2681.3,4	"	"	4,249,458	(7,269,316)	785,671	604,390	1,350,682	(7,392,807)	413,271
	LSE Other	2681.9	"	"	47,699	47,957	8,819	6,784	15,161	18,393	4,639
	LHI - Building	2682.1	"	"	(1,735,419)	(12,955,204)	(306,740)	828,383	783,112	2,235,850	566,433
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
TOTAL CENTRALIZED SEE BELOW											
	Land	2111	SUM OF STATES BELOW		896,577	(99,203)	160,426	134,687	(61,826)	(821,560)	128,342
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Aircraft	2113	"	"							
	Bldgs-Admin	2121	"	"	24,831,606	(8,073,523)	4,451,449	3,731,205	(1,157,446)	(18,984,248)	3,821,406
	Furniture	2122	"	"	(37,935)	9,430	1,531	6,919	20,311	(54,932)	6,501
	Artwork	2122	"	"	12,862	(33,000)	3,883	3,157	4,362	733	4,425
	Ofc Eq	2123.1	"	"	1,133,465	(609,252)	(38,045)	128,867	(786,509)	(155,732)	159,211
	OCS	2123.21	"	"	8,180	(79,415)	4,633	6,244	15,322	(9,235)	9,566
	OCS	2123.22	"	"	329,026	(335,552)	9,984	70,285	112,102	(416,501)	79,791
	Computers	2124	"	"	10,475,167	(25,681,405)	346,391	2,225,633	2,906,912	(3,515,703)	3,266,677
	LSE Bldg	2681.1	"	"	381,363	590,762	(2,541,097)	82,713	118,276	217,778	63,020
	LSE Comp	2681.3,4	"	"							
	LSE Other	2681.9	"	"	1,017	1,094	176	142	322	397	124
	LHI - Building	2682.1	"	"	386,053	(941,059)	(2,520,978)	284,777	629,894	606,881	292,002
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM ARIZONA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		(24,809)	5,141	589	474	6,900	1,433	503
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	(461,066)	95,539	10,952	8,810	128,233	26,623	9,343
	Furniture	2122	"	"	(74,129)	15,361	1,761	1,416	20,617	4,280	1,502
	Artwork	2122	"	"	(5,291)	1,096	126	101	1,472	306	107
	Ofc Eq	2123.1	"	"	(247,581)	51,302	5,881	4,731	68,858	14,296	5,017
	OCS	2123.21	"	"	(24,211)	5,017	575	463	6,734	1,398	491
	OCS	2123.22	"	"	(77,471)	16,053	1,840	1,480	21,546	4,473	1,570
	Computers	2124	"	"	(2,780,794)	576,220	66,054	53,135	773,402	160,568	56,348
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	(877,103)	181,748	20,834	16,760	243,942	50,646	17,773
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM COLORADO											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		167,512	(780,780)	38,852	29,258	50,268	74,715	61,442
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	5,545,347	(25,847,039)	1,286,172	968,565	1,664,078	2,473,362	2,033,974
	Furniture	2122	"	"	7,469	(34,812)	1,732	1,305	2,241	3,331	2,739
	Artwork	2122	"	"	9,139	(42,598)	2,120	1,596	2,743	4,076	3,352
	Ofc Eq	2123.1	"	"	279,912	(1,304,680)	64,922	48,890	83,998	124,848	102,669
	OCS	2123.21	"	"	20,805	(96,973)	4,825	3,634	6,243	9,280	7,631
	OCS	2123.22	"	"	138,833	(647,106)	32,201	24,249	41,662	61,923	50,922
	Computers	2124	"	"	6,973,216	(32,502,380)	1,617,348	1,217,961	2,092,560	3,110,227	2,557,701
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	463,617	(2,160,934)	107,530	80,977	139,125	206,785	170,050
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM IDAHO-S										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	82	127	(547)	18	25	47	14
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	2,486	3,851	(16,565)	539	771	1,420	411
	Furniture	2122	" "	1,081	1,675	(7,206)	235	335	618	179
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	28,097	43,524	(187,214)	6,094	8,714	16,045	4,643
	OCS	2123.21	" "	464	719	(3,095)	101	144	265	77
	OCS	2123.22	" "	11,904	18,441	(79,321)	2,582	3,692	6,798	1,967
	Computers	2124	" "	360,004	557,675	(2,398,776)	78,080	111,652	205,581	59,490
	LSE Bldg	2681.1	" "	381,363	590,762	(2,541,097)	82,713	118,276	217,778	63,020
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	407,376	631,059	(2,714,430)	88,355	126,344	232,633	67,319
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM MONTANA										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	102	1,534	512	(5,722)	32	1,070	149
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	2,783	41,786	13,935	(155,881)	877	29,158	4,063
	Furniture	2122	" "	5	72	24	(268)	2	50	7
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	80	1,198	399	(4,469)	25	836	116
	OCS	2123.21	" "	2	29	10	(109)	1	20	3
	OCS	2123.22	" "	112	1,679	560	(6,263)	35	1,172	163
	Computers	2124	" "	2,157	32,387	10,801	(120,820)	680	22,600	3,149
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	117	1,755	585	(6,545)	37	1,224	171
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM NEW MEXICO										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	197,203	57,340	831	909	(295,335)	2,183	368
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	5,070,061	1,474,214	21,355	23,371	(7,593,039)	56,136	9,458
	Furniture	2122	" "	6,471	1,882	27	30	(9,691)	72	12
	Artwork	2122	" "	1,490	433	6	7	(2,231)	16	3
	Ofc Eq	2123.1	" "	709,620	206,335	2,989	3,271	(1,062,743)	7,857	1,324
	OCS	2123.21	" "	735	214	3	3	(1,101)	8	1
	OCS	2123.22	" "	19,996	5,814	84	92	(29,947)	221	37
	Computers	2124	" "	1,072,235	311,772	4,516	4,943	(1,605,803)	11,872	2,000
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM UTAH										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	192,828	234,087	53,747	41,605	62,946	(1,047,151)	29,908

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	4,709,818	5,717,564	1,312,761	1,016,200	1,537,453	(25,576,561)	730,499
	Furniture	2122	"	"	12,340	14,981	3,440	2,663	4,028	(67,013)	1,914
	Artwork	2122	"	"	1,177	1,429	328	254	384	(6,394)	183
	Ofc Eq	2123.1	"	"	80,049	97,177	22,312	17,272	26,131	(434,706)	12,416
	OCS	2123.21	"	"	4,185	5,080	1,166	903	1,366	(22,724)	649
	OCS	2123.22	"	"	100,843	122,420	28,108	21,758	32,919	(547,626)	15,641
	Computers	2124	"	"	1,541,694	1,871,566	429,714	332,639	503,264	(8,372,136)	239,119
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	5,648	6,856	1,574	1,219	1,844	(30,669)	876
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM WYOMING											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		-	7,907	-	-	-	-	(7,907)
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	-	166,465	-	-	-	-	(166,465)
	Furniture	2122	"	"	-	937	-	-	-	-	(937)
	Artwork	2122	"	"	-	-	-	-	-	-	-
	Ofc Eq	2123.1	"	"	-	1,481	-	-	-	-	(1,481)
	OCS	2123.21	"	"	-	54	-	-	-	-	(54)
	OCS	2123.22	"	"	-	7,074	-	-	-	-	(7,074)
	Computers	2124	"	"	-	56,107	-	-	-	-	(56,107)
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	-	13,217	-	-	-	-	(13,217)
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM IOWA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		123,251	125,551	20,492	16,722	38,205	46,688	13,633
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	3,537,738	3,603,746	588,191	479,989	1,096,627	1,340,102	391,318
	Furniture	2122	"	"	1,224	1,247	204	166	379	464	135
	Artwork	2122	"	"	1,319	1,344	219	179	409	500	146
	Ofc Eq	2123.1	"	"	68,336	69,611	11,362	9,272	21,183	25,886	7,559
	OCS	2123.21	"	"	589	600	98	80	182	223	65
	OCS	2123.22	"	"	29,058	29,600	4,831	3,943	9,007	11,007	3,214
	Computers	2124	"	"	757,772	771,911	125,989	102,812	234,894	287,045	83,819
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	1,407	1,433	234	191	436	533	156
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM MINNESOTA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		109,209	108,790	17,712	29,551	33,508	41,249	13,866
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	2,999,798	2,988,311	486,531	811,711	920,412	1,133,061	380,867
	Furniture	2122	"	"	1,165	1,161	189	315	358	440	148
	Artwork	2122	"	"	1,314	1,309	213	355	403	496	167
	Ofc Eq	2123.1	"	"	80,860	80,550	13,114	21,880	24,810	30,542	10,266
	OCS	2123.21	"	"	2,426	2,417	393	656	744	916	308

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
	OCS	2123.22	"	"	39,989	39,836	6,486	10,821	12,270	15,104	5,077
	Computers	2124	"	"	1,226,400	1,221,704	198,907	331,850	376,290	463,227	155,709
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	381,260	379,800	61,836	103,165	116,980	144,007	48,406
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM NEBRASKA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		3,144	3,382	543	439	995	1,226	382
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	104,168	112,066	17,995	14,538	32,967	40,614	12,660
	Furniture	2122	"	"	113	122	20	16	36	44	14
	Artwork	2122	"	"	308	331	53	43	97	120	37
	Ofc Eq	2123.1	"	"	9,533	10,256	1,647	1,330	3,017	3,717	1,159
	OCS	2123.21	"	"	45	48	8	6	14	18	5
	OCS	2123.22	"	"	244	263	42	34	77	95	30
	Computers	2124	"	"	37,077	39,888	6,405	5,174	11,734	14,456	4,506
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	1,017	1,094	176	142	322	397	124
	LHI - Building	2682.1	"	"	55	59	10	8	17	21	7
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM NORTH DAKOTA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		-	-	-	-	-	-	-
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	-	-	-	-	-	-	-
	Furniture	2122	"	"	-	-	-	-	-	-	-
	Artwork	2122	"	"	-	-	-	-	-	-	-
	Ofc Eq	2123.1	"	"	-	-	-	-	-	-	-
	OCS	2123.21	"	"	-	-	-	-	-	-	-
	OCS	2123.22	"	"	-	-	-	-	-	-	-
	Computers	2124	"	"	-	-	-	-	-	-	-
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM SOUTH DAKOTA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		-	-	-	-	-	-	-
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	-	-	-	-	-	-	-
	Furniture	2122	"	"	-	-	-	-	-	-	-
	Artwork	2122	"	"	-	-	-	-	-	-	-
	Ofc Eq	2123.1	"	"	-	-	-	-	-	-	-
	OCS	2123.21	"	"	-	-	-	-	-	-	-
	OCS	2123.22	"	"	-	-	-	-	-	-	-
	Computers	2124	"	"	-	-	-	-	-	-	-
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming
FROM IDAHO-N										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	-	-	-	-	-	-	-
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	-	-	-	-	-	-	-
	Furniture	2122	" "	-	-	-	-	-	-	-
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	-	-	-	-	-	-	-
	OCS	2123.21	" "	-	-	-	-	-	-	-
	OCS	2123.22	" "	-	-	-	-	-	-	-
	Computers	2124	" "	-	-	-	-	-	-	-
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM OREGON										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	46,559	50,275	7,775	6,336	14,648	17,969	5,662
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	1,052,558	1,136,558	175,776	143,248	331,139	406,230	128,008
	Furniture	2122	" "	2,646	2,858	442	360	833	1,021	322
	Artwork	2122	" "	193	209	32	26	61	75	24
	Ofc Eq	2123.1	" "	50,413	54,437	8,419	6,861	15,860	19,457	6,131
	OCS	2123.21	" "	1,536	1,659	257	209	483	593	187
	OCS	2123.22	" "	11,124	12,011	1,858	1,514	3,500	4,293	1,353
	Computers	2124	" "	371,396	401,035	62,023	50,545	116,843	143,339	45,168
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	634	685	106	86	200	245	77
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM WASHINGTON										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	81,495	87,442	19,920	15,096	25,982	39,010	10,323
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	2,267,914	2,433,415	554,346	420,116	723,036	1,085,607	287,270
	Furniture	2122	" "	3,679	3,948	899	682	1,173	1,761	466
	Artwork	2122	" "	3,213	3,447	785	595	1,024	1,538	407
	Ofc Eq	2123.1	" "	74,146	79,557	18,123	13,735	23,638	35,492	9,392
	OCS	2123.21	" "	1,604	1,721	392	297	511	768	203
	OCS	2123.22	" "	54,393	58,363	13,295	10,076	17,341	26,037	6,890
	Computers	2124	" "	914,010	980,710	223,411	169,314	291,396	437,519	115,775
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	3,041	3,263	743	563	970	1,456	385
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
TOTAL GROSS INVESTMENT (LEDGER) BY CLASS										
1	Land	2111	Wksht B Gross Invest.	7,019,892	14,301,640	4,304,625	1,904,244	1,306,230	70,861	7,958,103
2	Vehicles	2112	" "	-	-	-	-	-	-	-
3	Aircraft	2113	" "	-	-	-	-	-	-	-
4	Buildings	2121	" "	201,495,711	392,844,489	142,634,368	37,954,543	70,429,956	3,591,524	179,908,300
5	Furniture	2122	" "	26,194	63,696	97,936	-	-	2,568	185,719
6	Artwork	2122	" "	28,232	71,808	266,334	-	-	-	13,576
7	Ofc Eq	2123.1	" "	1,462,332	4,419,709	8,249,487	232,606	222,397	-	3,538,006
8	OCS	2123.21	" "	12,596	132,605	38,956	5,349	6,952	-	107,807
9	OCS	2123.22	" "	621,817	2,185,751	211,204	84,691	162,255	3,578	780,665
10	Computers	2124	" "	30,401,024	133,144,593	190,024,238	5,837,735	5,547,603	11,276	44,393,685
11	LSE Bldg	2681.1	" "	-	0	-	-	-	-	0
12	LSE Comp	2681.3,4	" "	-	-	5,114,960	-	-	-	-
13	LSE Other	2681.9	" "	-	-	880,197	-	-	-	-
14	LHI - Building	2682.1	" "	2,191,435	35,587,878	7,776,156	27,803	8,910	-	1,761,497
15	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
16	Total Gross Support Investment			243,259,234	582,752,170	359,598,461	46,046,970	77,684,304	3,679,806	238,647,358
GROSS MS INVEST. BY CLASS BEFORE RC DISTRIBUTION:										
17	Land	2111	Wksht B(Gross HQ + Gross Cent Invest.)	1,513,173	2,456,715	1,489,601	360,083	252,449	-	1,305,938
18	Vehicles	2112	" "	-	-	-	-	-	-	-
19	Aircraft	2113	" "	-	-	-	-	-	-	-
20	Buildings	2121	" "	43,433,408	67,482,261	49,358,127	7,177,025	13,611,689	-	29,523,248
21	Furniture	2122	" "	14,077	28,327	56,956	-	-	-	52,432
22	Artwork	2122	" "	15,172	31,934	154,891	-	-	-	3,833
23	Ofc Eq	2123.1	" "	785,846	1,965,516	4,797,613	113,930	94,034	-	998,851
24	OCS	2123.21	" "	6,769	58,972	22,655	2,620	2,939	-	30,436
25	OCS	2123.22	" "	334,160	972,039	122,829	41,481	68,605	-	220,398
26	Computers	2124	" "	20,907,694	98,214,663	175,010,697	4,005,486	3,446,793	2,747	29,463,448
27	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
28	LSE Comp	2681.3,4	" "	-	-	5,114,960	-	-	-	-
29	LSE Other	2681.9	" "	-	-	511,892	-	-	-	-
30	LHI - Building	2682.1	" "	9,961	7,386,784	3,149,896	-	-	-	7,564
31	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
32	Total MS Invest. before RC Distribution			67,020,259	178,597,210	239,790,116	11,700,625	17,476,509	2,747	61,606,149
33	Percent Multistate Investment versus Total Le		L32/L16	0.275510	0.306472	0.666827	0.254102	0.224968	0.000747	0.258147

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
GROSS HQ AND CENT INVEST. BALANCES AFTER RENT COMPENSATION DISTRIBUTION:										
34	Land	2111	GROSS MULTISTATE INVEST ALLOCATED	(91,864)	323,923	(851,229)	(94,533)	66,953	35,974	344,174
35	Vehicles	2112	" "	-	-	-	-	-	-	-
36	Aircraft	2113	" "	-	-	-	-	-	-	-
37	Buildings	2121	" "	(2,343,155)	12,076,773	(30,898,941)	446,426	(4,432,805)	1,014,210	16,877,985
38	Furniture	2122	" "	66,913	132,624	(20,744)	15,190	18,389	2,359	53,260
39	Artwork	2122	" "	33,850	51,045	(132,552)	7,884	9,447	954	38,945
40	Ofc Eq	2123.1	" "	1,136,669	1,456,142	(3,928,326)	211,270	295,786	38,637	823,723
41	OCS	2123.21	" "	42,503	41,390	(309)	6,904	8,585	1,498	34,399
42	OCS	2123.22	" "	168,409	68,621	106,634	58,141	52,131	16,881	529,137
43	Computers	2124	" "	56,829,236	60,476,335	(142,008,591)	10,629,186	14,086,585	2,208,940	69,588,445
44	LSE Bldg	2681.1	" "	208,951	439,325	111,813	45,566	57,082	8,760	294,408
45	LSE Comp	2681.3,4	" "	1,650,128	3,403,651	(4,430,474)	310,698	371,450	47,189	2,127,722
46	LSE Other	2681.9	" "	92,607	129,273	(469,680)	12,311	14,542	540	24,380
47	LHI - Building	2682.1	" "	3,075,942	(827,545)	(1,793,923)	612,419	731,646	83,285	3,695,571
48	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
49	TOTAL RENT COMP GROSS INVESTMENT		" "	60,870,190	77,771,556	(184,316,321)	12,261,462	11,279,791	3,459,228	94,432,148
TOTAL GROSS INVESTMENT AFTER RC DISTRIBUTION:										
50	Land	2111	LINE 1 + LINE 34	6,928,028	14,625,563	3,453,396	1,809,710	1,373,184	106,835	8,302,278
51	Vehicles	2112	LINE 2 + LINE 35	-	-	-	-	-	-	-
52	Aircraft	2113	LINE 3 + LINE 36	-	-	-	-	-	-	-
53	Buildings	2121	LINE 4 + LINE 37	199,152,556	404,921,261	111,735,427	38,400,969	65,997,150	4,605,734	196,786,286
54	Furniture	2122	LINE 5 + LINE 38	93,108	196,320	77,192	15,190	18,389	4,927	238,979
55	Artwork	2122	LINE 6 + LINE 39	62,082	122,853	133,782	7,884	9,447	954	52,521
56	Ofc Eq	2123.1	LINE 7 + LINE 40	2,599,001	5,875,850	4,321,161	443,877	518,183	38,637	4,361,729
57	OCS	2123.21	LINE 8 + LINE 41	55,099	173,995	38,646	12,253	15,538	1,498	142,206
58	OCS	2123.22	LINE 9 + LINE 42	790,226	2,254,372	317,839	142,831	214,386	20,459	1,309,801
59	Computers	2124	LINE 10 + LINE 43	87,230,260	193,620,928	48,015,647	16,466,921	19,634,187	2,220,215	113,982,130
60	LSE Bldg	2681.1	LINE 11 + LINE 44	208,951	439,325	111,813	45,566	57,082	8,760	294,408
61	LSE Comp	2681.3,4	LINE 12 + LINE 45	1,650,128	3,403,651	684,486	310,698	371,450	47,189	2,127,722
62	LSE Other	2681.9	LINE 13 + LINE 46	92,607	129,273	410,517	12,311	14,542	540	24,380
63	LHI - Building	2682.1	LINE 14 + LINE 47	5,267,377	34,760,333	5,982,233	640,221	740,556	83,285	5,457,068
64	LHI - Other	2682.2,.9	LINE 15 + LINE 48	-	-	-	-	-	-	-
65	Tot. Invest. w/ Rent Comp		LINE 16 + LINE 49	304,129,424	660,523,726	175,282,140	58,308,432	88,964,095	7,139,035	333,079,506
66										

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
67										
68										
69										
70										
71										
72										
73										
74										
75										
76										
77										
78										
79										
80										
81										
82										
83										
INVESTMENT ALLOCATIONS - NO PRINTING										
ALLOCATION FACTORS										
	HEADQUARTERS			0.064237	0.132499	0.026646	0.012095	0.014460	0.001837	0.082829
CENTRALIZED			Charged To:							
	Charged Through CENT From: AZ	"CENTPR_102003.XLS"		0.025252	0.052792	0.015458	0.005879	0.007625	0.000803	0.040026
	CO	" "		0.026934	0.056751	0.016630	0.006027	0.007738	0.001681	0.056307
	ID-S	" "		0.048047	0.102249	0.029420	0.011396	0.014608	0.002425	0.071383
	MT	" "		0.005621	0.011838	0.003443	0.001316	0.001711	0.005128	0.125607
	NM	" "		0.000576	0.001212	0.000353	0.000135	0.000175	0.000134	0.085737
	UT	" "		0.039270	0.082686	0.024040	0.009208	0.011942	0.002044	0.070952
	WY	" "		-	-	-	-	-	-	-
	IA	" "		0.099416	0.178024	0.048612	0.018387	0.022853	0.001438	0.068418
	MN	" "		0.128072	0.307782	0.057765	0.028750	0.032854	0.000891	0.069759
	NE	" "		0.331400	0.407370	0.154455	0.039468	0.046397	0.000048	0.002223
	ND	" "		0.057080	0.419376	0.034942	0.239081	0.249521	-	-
	SD	" "		0.076287	0.438380	0.036599	0.181783	0.266952	-	-
	ID-N	" "		-	-	-	-	-	-	-
	OR	" "		0.068755	0.145957	0.041859	0.015894	0.021190	0.000909	0.026265
	WA	" "		0.025876	0.054700	0.015243	0.005864	0.007804	0.004694	0.227007
	HEADQUARTERS GROSS MULTISTATE INVESTMENT ALLOCATED									
	Land	2111	(WKSHT C TOT HQ INV*STATE HQ %)-WKSHT	180,871	439,776	(457,852)	(199,066)	(56,893)	23,497	(8,201)
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Aircraft	2113	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	4,814,292	13,394,732	(16,837,903)	(2,681,691)	(7,816,105)	663,643	5,787,031
	Furniture	2122	" "	54,218	107,494	(7,347)	11,228	13,423	1,705	38,001
	Artwork	2122	" "	14,271	23,990	(78,908)	3,785	4,526	575	23,080
	Ofc Eq	2123.1	" "	617,598	821,371	(2,320,903)	62,410	117,481	26,302	445,106
	OCS	2123.21	" "	31,570	38,210	1,414	3,887	4,893	977	21,489

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
	OCS	2123.22	"	"	194,184	133,538	64,655	20,424	7,295	9,227	252,583
	Computers	2124	"	"	54,617,527	59,999,855	(137,758,462)	9,262,637	12,404,548	2,003,677	62,905,597
	LSE Bldg	2681.1	"	"	81,674	168,466	33,879	15,378	18,385	2,336	105,313
	LSE Comp	2681.3,4	"	"	1,650,128	3,403,651	(4,430,474)	310,698	371,450	47,189	2,127,722
	LSE Other	2681.9	"	"	18,522	38,205	(280,657)	3,487	4,169	530	23,883
	LHI - Building	2682.1	"	"	2,261,682	1,473,681	(2,199,628)	425,846	509,113	64,678	2,911,958
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
TOTAL CENTRALIZED SEE BELOW											
	Land	2111	SUM OF STATES BELOW		(272,735)	(115,853)	(393,378)	104,533	123,846	12,478	352,375
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Aircraft	2113	"	"							
	Bldgs-Admin	2121	"	"	(7,157,447)	(1,317,960)	(14,061,038)	3,128,117	3,383,300	350,567	11,090,954
	Furniture	2122	"	"	12,695	25,130	(13,397)	3,963	4,966	654	15,259
	Artwork	2122	"	"	19,579	27,055	(53,644)	4,099	4,921	379	15,865
	Ofc Eq	2123.1	"	"	519,071	634,771	(1,607,422)	148,860	178,305	12,335	378,617
	OCS	2123.21	"	"	10,933	3,179	(1,723)	3,017	3,693	521	12,910
	OCS	2123.22	"	"	(25,775)	(64,917)	41,980	37,717	44,836	7,654	276,553
	Computers	2124	"	"	2,211,709	476,480	(4,250,129)	1,366,549	1,682,037	205,263	6,682,847
	LSE Bldg	2681.1	"	"	127,277	270,859	77,934	30,188	38,697	6,424	189,095
	LSE Comp	2681.3,4	"	"							
	LSE Other	2681.9	"	"	74,085	91,068	(189,023)	8,823	10,372	11	497
	LHI - Building	2682.1	"	"	814,260	(2,301,226)	405,705	186,573	222,533	18,607	783,613
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM ARIZONA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		1,154	2,414	707	269	349	37	1,830
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	21,455	44,855	13,134	4,995	6,479	682	34,008
	Furniture	2122	"	"	3,450	7,212	2,112	803	1,042	110	5,468
	Artwork	2122	"	"	246	515	151	57	74	8	390
	Ofc Eq	2123.1	"	"	11,521	24,086	7,053	2,682	3,479	366	18,261
	OCS	2123.21	"	"	1,127	2,355	690	262	340	36	1,786
	OCS	2123.22	"	"	3,605	7,537	2,207	839	1,089	115	5,714
	Computers	2124	"	"	129,402	270,528	79,213	30,126	39,074	4,115	205,110
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	40,815	85,328	24,985	9,502	12,324	1,298	64,695
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM COLORADO											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		37,027	78,017	22,862	8,285	10,638	2,311	77,406
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	1,225,736	2,582,674	756,813	274,282	352,148	76,500	2,562,468
	Furniture	2122	"	"	1,651	3,478	1,019	369	474	103	3,451
	Artwork	2122	"	"	2,020	4,256	1,247	452	580	126	4,223
	Ofc Eq	2123.1	"	"	61,871	130,366	38,202	13,845	17,775	3,862	129,346
	OCS	2123.21	"	"	4,599	9,690	2,839	1,029	1,321	287	9,614
	OCS	2123.22	"	"	30,687	64,660	18,948	6,867	8,816	1,915	64,154
	Computers	2124	"	"	1,541,350	3,247,686	951,684	344,907	442,822	96,198	3,222,277
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	102,477	215,924	63,273	22,931	29,441	6,396	214,234
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM IDAHO-S										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	27	58	17	6	8	1	41
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	830	1,766	508	197	252	42	1,233
	Furniture	2122	" "	361	768	221	86	110	18	536
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	9,377	19,955	5,742	2,224	2,851	473	13,931
	OCS	2123.21	" "	155	330	95	37	47	8	230
	OCS	2123.22	" "	3,973	8,455	2,433	942	1,208	201	5,903
	Computers	2124	" "	120,149	255,689	73,569	28,497	36,529	6,064	178,504
	LSE Bldg	2681.1	" "	127,277	270,859	77,934	30,188	38,697	6,424	189,095
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	135,959	289,335	83,250	32,247	41,336	6,862	201,993
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM MONTANA										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	34	72	21	8	10	31	766
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	934	1,968	572	219	284	852	20,880
	Furniture	2122	" "	2	3	1	0	0	1	36
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	27	56	16	6	8	24	599
	OCS	2123.21	" "	1	1	0	0	0	1	15
	OCS	2123.22	" "	38	79	23	9	11	34	839
	Computers	2124	" "	724	1,525	444	170	220	661	16,184
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	39	83	24	9	12	36	877
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM NEW MEXICO										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	205	432	126	48	62	48	30,563
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	5,279	11,108	3,235	1,237	1,604	1,228	785,783
	Furniture	2122	" "	7	14	4	2	2	2	1,003
	Artwork	2122	" "	2	3	1	0	0	0	231
	Ofc Eq	2123.1	" "	739	1,555	453	173	224	172	109,980
	OCS	2123.21	" "	1	2	0	0	0	0	114
	OCS	2123.22	" "	21	44	13	5	6	5	3,099
	Computers	2124	" "	1,116	2,349	684	262	339	260	166,180
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM UTAH										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	46,073	97,010	28,204	10,803	14,011	2,398	83,243

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	1,125,322	2,369,452	688,891	263,865	342,210	58,573	2,033,202
	Furniture	2122	"	"	2,948	6,208	1,805	691	897	153	5,327
	Artwork	2122	"	"	281	592	172	66	86	15	508
	Ofc Eq	2123.1	"	"	19,126	40,272	11,709	4,485	5,816	996	34,557
	OCS	2123.21	"	"	1,000	2,105	612	234	304	52	1,806
	OCS	2123.22	"	"	24,095	50,733	14,750	5,650	7,327	1,254	43,533
	Computers	2124	"	"	368,359	775,608	225,499	86,372	112,018	19,173	665,541
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	1,349	2,841	826	316	410	70	2,438
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM WYOMING											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		-	-	-	-	-	-	-
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	-	-	-	-	-	-	-
	Furniture	2122	"	"	-	-	-	-	-	-	-
	Artwork	2122	"	"	-	-	-	-	-	-	-
	Ofc Eq	2123.1	"	"	-	-	-	-	-	-	-
	OCS	2123.21	"	"	-	-	-	-	-	-	-
	OCS	2123.22	"	"	-	-	-	-	-	-	-
	Computers	2124	"	"	-	-	-	-	-	-	-
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM IOWA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		(785,675)	155,309	42,409	16,041	19,937	1,255	59,688
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	(22,551,656)	4,457,925	1,217,300	460,432	572,265	36,009	1,713,265
	Furniture	2122	"	"	(7,803)	1,542	421	159	198	12	593
	Artwork	2122	"	"	(8,410)	1,662	454	172	213	13	639
	Ofc Eq	2123.1	"	"	(435,617)	86,111	23,514	8,894	11,054	696	33,094
	OCS	2123.21	"	"	(3,752)	742	203	77	95	6	285
	OCS	2123.22	"	"	(185,234)	36,616	9,999	3,782	4,700	296	14,072
	Computers	2124	"	"	(4,830,490)	954,873	260,742	98,623	122,577	7,713	366,976
	LSE Bldg	2681.1	"	"	-	-	-	-	-	-	-
	LSE Other	2681.9	"	"	-	-	-	-	-	-	-
	LHI - Building	2682.1	"	"	(8,971)	1,773	484	183	228	14	681
	LHI - Other	2682.2,.9	"	"	-	-	-	-	-	-	-
FROM MINNESOTA											
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		153,908	(831,861)	69,418	34,550	39,482	1,071	83,832
	Vehicles	2112	"	"	-	-	-	-	-	-	-
	Bldgs-Admin	2121	"	"	4,227,631	(22,849,975)	1,906,811	949,032	1,084,504	29,412	2,302,730
	Furniture	2122	"	"	1,642	(8,877)	741	369	421	11	895
	Artwork	2122	"	"	1,851	(10,007)	835	416	475	13	1,008
	Ofc Eq	2123.1	"	"	113,956	(615,922)	51,398	25,581	29,233	793	62,070
	OCS	2123.21	"	"	3,419	(18,480)	1,542	768	877	24	1,862

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
	OCS	2123.22	" "	56,356	(304,602)	25,419	12,651	14,457	392	30,697
	Computers	2124	" "	1,728,372	(9,341,701)	779,557	387,990	443,375	12,024	941,420
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	537,312	(2,904,122)	242,347	120,617	137,835	3,738	292,666
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM NEBRASKA										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	228,973	281,463	(584,210)	27,270	32,057	33	1,536
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	7,587,061	9,326,316	(19,357,880)	903,579	1,062,211	1,099	50,893
	Furniture	2122	" "	8,243	10,133	(21,032)	982	1,154	1	55
	Artwork	2122	" "	22,417	27,556	(57,195)	2,670	3,138	3	150
	Ofc Eq	2123.1	" "	694,347	853,519	(1,771,581)	82,693	97,211	101	4,658
	OCS	2123.21	" "	3,279	4,030	(8,366)	390	459	0	22
	OCS	2123.22	" "	17,777	21,852	(45,356)	2,117	2,489	3	119
	Computers	2124	" "	2,700,483	3,319,540	(6,890,102)	321,613	378,076	391	18,115
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	74,085	91,068	(189,023)	8,823	10,372	11	497
	LHI - Building	2682.1	" "	4,012	4,931	(10,235)	478	562	1	27
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM NORTH DAKOTA										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	360	2,648	221	(4,804)	1,575	-	-
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	7,183	52,774	4,397	(95,753)	31,399	-	-
	Furniture	2122	" "	-	-	-	-	-	-	-
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	181	1,327	111	(2,408)	790	-	-
	OCS	2123.21	" "	4	31	3	(55)	18	-	-
	OCS	2123.22	" "	66	483	40	(877)	288	-	-
	Computers	2124	" "	3,289	24,164	2,013	(43,843)	14,377	-	-
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM SOUTH DAKOTA										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	809	4,648	388	1,927	(7,773)	-	-
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	43,613	250,621	20,924	103,925	(419,082)	-	-
	Furniture	2122	" "	-	-	-	-	-	-	-
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	342	1,963	164	814	(3,282)	-	-
	OCS	2123.21	" "	11	61	5	25	(103)	-	-
	OCS	2123.22	" "	249	1,432	120	594	(2,395)	-	-
	Computers	2124	" "	4,403	25,301	2,112	10,492	(42,308)	-	-
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Iowa	Minnesota	Nebraska	N Dakota	S Dakota	Idaho-N	Oregon
FROM IDAHO-N										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	-	-	-	-	-	-	-
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	-	-	-	-	-	-	-
	Furniture	2122	" "	-	-	-	-	-	-	-
	Artwork	2122	" "	-	-	-	-	-	-	-
	Ofc Eq	2123.1	" "	-	-	-	-	-	-	-
	OCS	2123.21	" "	-	-	-	-	-	-	-
	OCS	2123.22	" "	-	-	-	-	-	-	-
	Computers	2124	" "	-	-	-	-	-	-	-
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	-	-	-	-	-	-	-
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM OREGON										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	16,384	34,781	9,975	3,787	5,049	217	(232,035)
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	370,390	786,284	225,498	85,622	114,153	4,897	(5,245,603)
	Furniture	2122	" "	931	1,977	567	215	287	12	(13,188)
	Artwork	2122	" "	68	145	41	16	21	1	(964)
	Ofc Eq	2123.1	" "	17,740	37,660	10,800	4,101	5,467	235	(251,243)
	OCS	2123.21	" "	541	1,148	329	125	167	7	(7,656)
	OCS	2123.22	" "	3,914	8,310	2,383	905	1,206	52	(55,437)
	Computers	2124	" "	130,692	277,441	79,567	30,212	40,279	1,728	(1,850,915)
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	223	474	136	52	69	3	(3,161)
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-
FROM WASHINGTON										
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	27,985	59,157	16,485	6,342	8,440	5,076	245,505
	Vehicles	2112	" "	-	-	-	-	-	-	-
	Bldgs-Admin	2121	" "	778,775	1,646,273	458,759	176,485	234,872	141,273	6,832,094
	Furniture	2122	" "	1,263	2,671	744	286	381	228	11,084
	Artwork	2122	" "	1,103	2,332	650	250	333	200	9,678
	Ofc Eq	2123.1	" "	25,461	53,822	14,998	5,770	7,679	4,619	223,364
	OCS	2123.21	" "	551	1,164	324	125	166	100	4,832
	OCS	2123.22	" "	18,678	39,484	11,003	4,233	5,633	3,388	163,860
	Computers	2124	" "	313,860	663,478	184,888	71,127	94,658	56,935	2,753,457
	LSE Bldg	2681.1	" "	-	-	-	-	-	-	-
	LSE Other	2681.9	" "	-	-	-	-	-	-	-
	LHI - Building	2682.1	" "	1,044	2,208	615	237	315	189	9,162
	LHI - Other	2682.2,.9	" "	-	-	-	-	-	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Washington	Total QC
TOTAL GROSS INVESTMENT (LEDGER) BY CLASS					
1	Land	2111	Wksht B Gross Invest.	11,324,964	101,351,793
2	Vehicles	2112	" "	-	-
3	Aircraft	2113	" "	-	-
4	Buildings	2121	" "	315,159,741	2,748,725,409
5	Furniture	2122	" "	271,099	3,162,149
6	Artwork	2122	" "	236,728	1,130,227
7	Ofc Eq	2123.1	" "	5,463,424	53,837,098
8	OCS	2123.21	" "	118,183	1,890,355
9	OCS	2123.22	" "	4,007,973	18,635,509
10	Computers	2124	" "	154,854,727	1,538,615,388
11	LSE Bldg	2681.1	" "	24,862	7,820,072
12	LSE Comp	2681.3,4	" "	-	25,688,126
13	LSE Other	2681.9	" "	-	880,197
14	LHI - Building	2682.1	" "	5,753,141	175,642,330
15	LHI - Other	2682.2,.9	" "	-	-
16	Total Gross Support Investment			497,214,841	4,677,378,654
GROSS MS INVEST. BY CLASS BEFORE RC DISTRIBUTION:					
17	Land	2111	Wksht B(Gross HQ + Gross Cent Invest.)	2,605,216	19,857,310
18	Vehicles	2112	" "	-	-
19	Aircraft	2113	" "	-	-
20	Buildings	2121	" "	72,499,956	562,922,182
21	Furniture	2122	" "	110,971	1,330,443
22	Artwork	2122	" "	96,902	542,643
23	Ofc Eq	2123.1	" "	2,236,379	23,760,822
24	OCS	2123.21	" "	48,377	847,630
25	OCS	2123.22	" "	1,640,610	8,533,880
26	Computers	2124	" "	117,896,112	1,209,738,018
27	LSE Bldg	2681.1	" "	-	3,920,467
28	LSE Comp	2681.3,4	" "	-	25,688,126
29	LSE Other	2681.9	" "	-	511,892
30	LHI - Building	2682.1	" "	82,662	47,774,962
31	LHI - Other	2682.2,.9	" "	-	-
32	Total MS Invest. before RC Distribution			197,217,185	1,905,428,376
33	Percent Multistate Investment versus Total Le		L32/L16	0.396644	0.407371

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Washington	Total QC
GROSS HQ AND CENT INVEST. BALANCES AFTER RENT COMPENSATION DISTRIBUTION:						
34	Land	2111	GROSS MULTISTATE INVEST ALLOCATED		208,859	0
35	Vehicles	2112	"	"	-	-
36	Aircraft	2113	"	"	-	-
37	Buildings	2121	"	"	6,695,386	0
38	Furniture	2122	"	"	73,294	-
39	Artwork	2122	"	"	(22,911)	0
40	Ofc Eq	2123.1	"	"	756,951	0
41	OCS	2123.21	"	"	63,327	0
42	OCS	2123.22	"	"	(347,169)	0
43	Computers	2124	"	"	56,483,114	-
44	LSE Bldg	2681.1	"	"	533,720	-
45	LSE Comp	2681.3,4	"	"	3,778,287	-
46	LSE Other	2681.9	"	"	43,306	-
47	LHI - Building	2682.1	"	"	6,268,619	-
48	LHI - Other	2682.2,.9	"	"	-	-
49	TOTAL RENT COMP GROSS INVESTMENT		"	"	74,534,781	-
TOTAL GROSS INVESTMENT AFTER RC DISTRIBUTION:						
50	Land	2111	LINE 1 + LINE 34		11,533,822	101,351,793
51	Vehicles	2112	LINE 2 + LINE 35		-	-
52	Aircraft	2113	LINE 3 + LINE 36		-	-
53	Buildings	2121	LINE 4 + LINE 37		321,855,127	2,748,725,409
54	Furniture	2122	LINE 5 + LINE 38		344,393	3,162,149
55	Artwork	2122	LINE 6 + LINE 39		213,817	1,130,227
56	Ofc Eq	2123.1	LINE 7 + LINE 40		6,220,375	53,837,098
57	OCS	2123.21	LINE 8 + LINE 41		181,511	1,890,355
58	OCS	2123.22	LINE 9 + LINE 42		3,660,803	18,635,509
59	Computers	2124	LINE 10 + LINE 43		211,337,840	1,538,615,388
60	LSE Bldg	2681.1	LINE 11 + LINE 44		558,582	7,820,072
61	LSE Comp	2681.3,4	LINE 12 + LINE 45		3,778,287	25,688,126
62	LSE Other	2681.9	LINE 13 + LINE 46		43,306	880,197
63	LHI - Building	2682.1	LINE 14 + LINE 47		12,021,760	175,642,330
64	LHI - Other	2682.2,.9	LINE 15 + LINE 48		-	-
65	Tot. Invest. w/ Rent Comp		LINE 16 + LINE 49		571,749,623	4,677,378,654
66						

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Washington	Total QC
67					
68					
69					
70					
71					
72					
73					
74					
75					
76					
77					
78					
79					
80					
81					
82					
83					

INVESTMENT ALLOCATIONS - NO PRINTING

ALLOCATION FACTORS					
HEADQUARTERS				0.147083	1.000000
CENTRALIZED			Charged To:		
Charged Through CENT From:	AZ	"CENTPR_102003.XLS"		0.065861	1.000000
	CO	" "		0.088882	1.000000
	ID-S	" "		0.130883	1.000000
	MT	" "		0.225996	1.000000
	NM	" "		0.014072	1.000000
	UT	" "		0.128097	1.000000
	WY	" "		-	1.000000
	IA	" "		0.122069	1.000000
	MN	" "		0.079648	1.000000
	NE	" "		0.004006	1.000000
	ND	" "		-	1.000000
	SD	" "		(0.000001)	1.000000
	ID-N	" "		-	-
	OR	" "		0.052949	1.000000
	WA	" "		0.400585	1.000000

HEADQUARTERS GROSS MULTISTATE INVESTMENT ALLOCATED

Land	2111	(WKSHT C TOT HQ INV*STATE HQ %)-WKSHT		357,567	(0)
Vehicles	2112	"	"	-	-
Aircraft	2113	"	"	-	-
Bldgs-Admin	2121	"	"	10,732,327	(0)
Furniture	2122	"	"	74,389	0
Artwork	2122	"	"	(8,235)	0
Ofc Eq	2123.1	"	"	853,493	0
OCS	2123.21	"	"	51,152	0

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Washington	Total QC
	OCS	2123.22	"	"	(179,986)	0
	Computers	2124	"	"	54,881,542	-
	LSE Bldg	2681.1	"	"	187,009	-
	LSE Comp	2681.3,4	"	"	3,778,287	-
	LSE Other	2681.9	"	"	42,410	-
	LHI - Building	2682.1	"	"	5,136,255	-
	LHI - Other	2682.2,.9	"	"	-	-
TOTAL CENTRALIZED SEE BELOW						
	Land	2111	SUM OF STATES BELOW		(148,708)	(0)
	Vehicles	2112	"	"	-	-
	Aircraft	2113	"	"		
	Bldgs-Admin	2121	"	"	(4,036,942)	(0)
	Furniture	2122	"	"	(1,095)	0
	Artwork	2122	"	"	(14,677)	(0)
	Ofc Eq	2123.1	"	"	(96,542)	(0)
	OCS	2123.21	"	"	12,175	-
	OCS	2123.22	"	"	(167,183)	-
	Computers	2124	"	"	1,601,572	(0)
	LSE Bldg	2681.1	"	"	346,711	0
	LSE Comp	2681.3,4	"	"		
	LSE Other	2681.9	"	"	896	(0)
	LHI - Building	2682.1	"	"	1,132,365	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM ARIZONA						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		3,011	0
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	55,959	0
	Furniture	2122	"	"	8,997	0
	Artwork	2122	"	"	642	0
	Ofc Eq	2123.1	"	"	30,048	0
	OCS	2123.21	"	"	2,938	0
	OCS	2123.22	"	"	9,402	0
	Computers	2124	"	"	337,499	0
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	106,452	0
	LHI - Other	2682.2,.9	"	"	-	-
FROM COLORADO						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		122,188	(0)
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	4,044,920	(0)
	Furniture	2122	"	"	5,448	(0)
	Artwork	2122	"	"	6,666	(0)
	Ofc Eq	2123.1	"	"	204,175	-
	OCS	2123.21	"	"	15,176	-
	OCS	2123.22	"	"	101,268	-
	Computers	2124	"	"	5,086,444	(0)
	LSE Bldg	2681.1	"	"	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Washington	Total QC
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	338,174	(0)
	LHI - Other	2682.2,.9	"	"	-	-
FROM IDAHO-S						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		75	0
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	2,260	0
	Furniture	2122	"	"	983	-
	Artwork	2122	"	"	-	-
	Ofc Eq	2123.1	"	"	25,544	0
	OCS	2123.21	"	"	422	0
	OCS	2123.22	"	"	10,823	-
	Computers	2124	"	"	327,293	0
	LSE Bldg	2681.1	"	"	346,711	0
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	370,361	0
	LHI - Other	2682.2,.9	"	"	-	-
FROM MONTANA						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		1,379	-
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	37,569	-
	Furniture	2122	"	"	65	-
	Artwork	2122	"	"	-	-
	Ofc Eq	2123.1	"	"	1,077	-
	OCS	2123.21	"	"	26	-
	OCS	2123.22	"	"	1,509	-
	Computers	2124	"	"	29,118	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	1,577	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM NEW MEXICO						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		5,016	(0)
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	128,970	(0)
	Furniture	2122	"	"	165	(0)
	Artwork	2122	"	"	38	(0)
	Ofc Eq	2123.1	"	"	18,051	(0)
	OCS	2123.21	"	"	19	(0)
	OCS	2123.22	"	"	509	(0)
	Computers	2124	"	"	27,275	(0)
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	-	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM UTAH						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		150,267	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Washington	Total QC
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	3,670,751	-
	Furniture	2122	"	"	9,618	-
	Artwork	2122	"	"	918	-
	Ofc Eq	2123.1	"	"	62,389	-
	OCS	2123.21	"	"	3,261	-
	OCS	2123.22	"	"	78,595	-
	Computers	2124	"	"	1,201,570	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	4,402	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM WYOMING						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		-	-
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	-	0
	Furniture	2122	"	"	-	-
	Artwork	2122	"	"	-	-
	Ofc Eq	2123.1	"	"	-	-
	OCS	2123.21	"	"	-	-
	OCS	2123.22	"	"	-	-
	Computers	2124	"	"	-	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	-	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM IOWA						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		106,494	-
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	3,056,748	(0)
	Furniture	2122	"	"	1,058	-
	Artwork	2122	"	"	1,140	-
	Ofc Eq	2123.1	"	"	59,045	-
	OCS	2123.21	"	"	509	(0)
	OCS	2123.22	"	"	25,107	-
	Computers	2124	"	"	654,745	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	1,216	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM MINNESOTA						
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)		95,716	-
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	2,629,164	-
	Furniture	2122	"	"	1,021	(0)
	Artwork	2122	"	"	1,151	(0)
	Ofc Eq	2123.1	"	"	70,869	-
	OCS	2123.21	"	"	2,126	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE	Washington	Total QC
	OCS	2123.22	" "	35,048	(0)
	Computers	2124	" "	1,074,875	(0)
	LSE Bldg	2681.1	" "	-	-
	LSE Other	2681.9	" "	-	-
	LHI - Building	2682.1	" "	334,154	(0)
	LHI - Other	2682.2,.9	" "	-	-
FROM NEBRASKA					
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	2,768	(0)
	Vehicles	2112	" "	-	-
	Bldgs-Admin	2121	" "	91,713	(0)
	Furniture	2122	" "	100	(0)
	Artwork	2122	" "	271	(0)
	Ofc Eq	2123.1	" "	8,393	(0)
	OCS	2123.21	" "	40	(0)
	OCS	2123.22	" "	215	(0)
	Computers	2124	" "	32,644	(0)
	LSE Bldg	2681.1	" "	-	-
	LSE Other	2681.9	" "	896	(0)
	LHI - Building	2682.1	" "	48	(0)
	LHI - Other	2682.2,.9	" "	-	-
FROM NORTH DAKOTA					
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	-	-
	Vehicles	2112	" "	-	-
	Bldgs-Admin	2121	" "	-	-
	Furniture	2122	" "	-	-
	Artwork	2122	" "	-	-
	Ofc Eq	2123.1	" "	-	(0)
	OCS	2123.21	" "	-	(0)
	OCS	2123.22	" "	-	(0)
	Computers	2124	" "	-	-
	LSE Bldg	2681.1	" "	-	-
	LSE Other	2681.9	" "	-	-
	LHI - Building	2682.1	" "	-	-
	LHI - Other	2682.2,.9	" "	-	-
FROM SOUTH DAKOTA					
	Land	2111	(WKSHT C STATE CENT INV*STATE CENT %)	(0)	(0)
	Vehicles	2112	" "	-	-
	Bldgs-Admin	2121	" "	(1)	(0)
	Furniture	2122	" "	-	-
	Artwork	2122	" "	-	-
	Ofc Eq	2123.1	" "	(0)	(0)
	OCS	2123.21	" "	(0)	(0)
	OCS	2123.22	" "	(0)	(0)
	Computers	2124	" "	(0)	(0)
	LSE Bldg	2681.1	" "	-	-
	LSE Other	2681.9	" "	-	-
	LHI - Building	2682.1	" "	-	-
	LHI - Other	2682.2,.9	" "	-	-

QWEST CORPORATION
RENT COMPENSATION STUDY - JAN 2004
RENT COMP INVESTMENT - WORKSHEET F

Line	Description	Account	SOURCE		Washington	Total QC
FROM IDAHO-N						
	Land	2111	(WKSHT C STATE CENT INV*	STATE CENT %)	-	-
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	-	-
	Furniture	2122	"	"	-	-
	Artwork	2122	"	"	-	-
	Ofc Eq	2123.1	"	"	-	-
	OCS	2123.21	"	"	-	-
	OCS	2123.22	"	"	-	-
	Computers	2124	"	"	-	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	-	-
	LHI - Other	2682.2,.9	"	"	-	-
FROM OREGON						
	Land	2111	(WKSHT C STATE CENT INV*	STATE CENT %)	12,617	(0)
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	285,241	0
	Furniture	2122	"	"	717	0
	Artwork	2122	"	"	52	0
	Ofc Eq	2123.1	"	"	13,662	(0)
	OCS	2123.21	"	"	416	(0)
	OCS	2123.22	"	"	3,015	(0)
	Computers	2124	"	"	100,648	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	172	(0)
	LHI - Other	2682.2,.9	"	"	-	-
FROM WASHINGTON						
	Land	2111	(WKSHT C STATE CENT INV*	STATE CENT %)	(648,259)	-
	Vehicles	2112	"	"	-	-
	Bldgs-Admin	2121	"	"	(18,040,235)	-
	Furniture	2122	"	"	(29,266)	-
	Artwork	2122	"	"	(25,556)	-
	Ofc Eq	2123.1	"	"	(589,796)	-
	OCS	2123.21	"	"	(12,758)	-
	OCS	2123.22	"	"	(432,675)	-
	Computers	2124	"	"	(7,270,539)	-
	LSE Bldg	2681.1	"	"	-	-
	LSE Other	2681.9	"	"	-	-
	LHI - Building	2682.1	"	"	(24,192)	-
	LHI - Other	2682.2,.9	"	"	-	-

QWEST CORPORATION

RENT COMPENSATION STUDY - JAN 2004

WORKSHEET G - NET MONTHLY CHARGES BY PLANT ACCT

IMPORTANT: CHECK FOR DIFFERENCES BELOW ON LINE 27

POST OUTLINED AREA ABOVE TO CAAS 15.7 STUDY

Description	Account	Arizona	Colorado	Idaho-S	Montana	New Mexico	Utah	Wyoming	Iowa	Minnesota	Nebraska	N Dakota
TOTAL MONTHLY RENT COMPENSATION		**These amounts feed into tab "K_NR CHARGES".**										
Land	2111	34,426	(16,002)	6,710	3,772	(7,432)	(18,835)	(524)	(2,267)	4,773	(12,536)	(1,055)
Vehicles	2112	0	0	0	0	0	0	0	0	0	0	0
Aircraft	2113	0	0	0	0	0	0	0	0	0	0	0
Bldgs-Admin	2121	892,759	(681,303)	169,302	101,138	(73,525)	(323,374)	34,792	(50,503)	80,639	(423,008)	4,446
Furniture	2122	(10,185)	1,692	486	240	1,184	935	281	876	1,843	422	199
Artwork	2122	202	(729)	125	98	151	150	88	305	468	(1,202)	73
Ofc Eq	2123.1	21,981	17,019	3,281	1,490	(23,206)	(941)	1,979	15,612	9,124	(51,479)	993
OCS	2123.21	1,055	(3,597)	138	171	360	276	211	755	1,168	(2,300)	136
OCS	2123.22	10,213	(21,657)	(882)	162	1,982	(1,559)	1,568	1,559	6,610	(11,759)	1,051
Computers	2124	390,350	37,798	79,442	42,940	133,848	156,513	24,353	(85,614)	368,139	(16,417)	1,650
LSE Bldg	2681.1	4,788	6,491	(30,534)	911	1,498	2,418	675	1,691	3,555	905	369
LSE Comp	2681.3,4	101,986	(127,050)	18,856	14,505	32,416	(186,868)	9,918	39,603	81,687	(144,300)	7,457
LSE Other	2681.9	1,496	1,506	276	213	476	577	146	2,844	3,970	(14,425)	378
LHI - Building	2682.1	6,699	(145,417)	(23,759)	9,896	15,864	25,200	7,756	27,785	(21,591)	(2,508)	5,551
LHI - Other	2682.2,.9	0	0	0	0	0	0	0	0	0	0	0
OPERATING RENTS	6121.13	(77,653)	(523,192)	54,013	59,652	111,142	162,367	16,665	166,995	188,020	(776,917)	32,069
HOUSE SERVICES	6121.2	56,496	(50,057)	(6,141)	3,027	10,493	(13,694)	(1,618)	(12,394)	3,765	(24,220)	(2,496)
TOTAL MONTHLY COMPENSATION	5240.8	1,434,614	(1,504,495)	271,312	238,216	205,250	(196,834)	96,291	107,246	732,169	(1,479,744)	50,820
CROSS BOUNDARY		0	0	0	0	0	0	0	0	0	0	0

QWEST CORPORATION

RENT COMPENSATION STUDY - JAN 2004

WORKSHEET G - NET MONTHLY CHARGES BY PLANT ACC

Description	Account	S Dakota	Idaho-N	Oregon	Washington	Total QC
TOTAL MONTHLY RENT COMPENSATION						
Land	2111	952	454	4,394	3,169	0.00000
Vehicles	2112	0	0	0	0	0.00000
Aircraft	2113	0	0	0	0	0.00000
Bldgs-Admin	2121	(38,659)	11,503	187,606	108,185	0.00000
Furniture	2122	241	32	909	845	0.00000
Artwork	2122	87	9	361	(188)	0.00000
Ofc Eq	2123.1	1,894	264	12,484	(10,494)	0.00000
OCS	2123.21	129	15	413	1,070	0.00000
OCS	2123.22	448	127	3,773	8,364	0.00000
Computers	2124	38,287	5,640	(111,273)	(1,065,654)	0.00000
LSE Bldg	2681.1	462	71	2,382	4,319	0.00000
LSE Comp	2681.3,4	8,915	1,133	51,065	90,678	0.00000
LSE Other	2681.9	447	17	749	1,330	0.00000
LHI - Building	2682.1	6,617	729	32,568	54,610	0.00000
LHI - Other	2682.2,.9	0	0	0	0	0.00000
OPERATING RENTS	6121.13	38,332	4,673	211,299	332,534	0.00000
HOUSE SERVICES	6121.2	(1,860)	1,562	35,691	1,445	0.00000
TOTAL MONTHLY COMPENSATION	5240.8	56,291	26,229	432,421	(469,786)	0.00000
CROSS BOUNDARY		0	-50922.94	-145896.23	196819.17	0.00000

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-08

Arizona Corporation Commission
Docket No.
Title: Incentive Compensation True-Up
Time: 7:41 AM
Date: 5/14/2004
Adj. # PFN-08

Qwest Corporation

Arizona Intrastate Operations
Normalizing Adjustment

Incentive Compensation True-Up

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	(1,095)
Total Operating Income Taxes	430
Net Operating Income	665
Rate Base	(278)
Revenue Requirement	(1,175)

This adjustment trues up incentive compensation amounts paid from the accrued to the acutal paid expense.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 7:41 AM
PFN-08

		Incentive Compensation True-Up
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	(611)
7	Engineering Expense	(220)
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	(831)
13	Customer Operations	(234)
14	Corporate Operations	(30)
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	(264)
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(1,095)
23	Income From Operations (L5-L22)	1,095
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	358
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	71
26	**Net Operating Income (L23-L24-L25)**	665
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	665
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	665
Rate Base		
34	Telephone Plant In Service	(278)
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	(278)

Qwest Arizona
Arizona 2003
Incentive Compensation TrueUp

Worksheet PFN-7A

Group	(A)=B+C **Total**	(B) **Management Expense Increase (Decrease)**	(C) **Occupational Expense Increase (Decrease)**
Summary			
Maintenance Expense	(611,102)	(309,623)	(301,479)
Engineering Expense	(219,562)	(217,373)	(2,189)
Customer Operations Expense	(234,306)	(133,479)	(100,827)
Corporate Operations Expense	(30,171)	(27,009)	(3,162)
Total	**(1,095,141)**	**(687,484)**	**(407,657)**
Telephone Plant in Service	(277,661)	(174,994)	(102,667)

Management Bonuses
Arizona 2003
EXTC = 19C

Worksheet PFN-7B

(A)	(B)	(C)	(D)	(E)	(F)=E-D	(G)= F x .1605	(H)=F-G	(I)	(J)=HxI
Main	**Description**	**Group**	**2003 Accrued**	**Actual Paid**	**Difference**	**Less Capital**	**Net Increase (Decrease)**	**Intrastate Factor**	**Intrastate Expense Increase (Decrease)**
6124	General Purpose Computers	Maintenance Expense	5,610	4,813	(797)	(128)	(669)	0.744839	(498)
6532	Network Administration	Maintenance Expense	16,068	13,785	(2,283)	(366)	(1,917)	0.744839	(1,428)
6534	Plant Operations Administration	Maintenance Expense	3,463,092	2,971,008	(492,085)	(78,980)	(413,105)	0.744839	(307,697)
6535	Engineering	Engineering Expense	2,512,431	2,155,429	(357,001)	(57,299)	(299,703)	0.725294	(217,373)
6611	Product Management	Customer Operations Expense	212,362	182,187	(30,175)	(4,843)	(25,332)	0.805088	(20,395)
6612	Sales	Customer Operations Expense	84,647	72,619	(12,028)	(1,930)	(10,097)	0.805088	(8,129)
6621	Call Completion Services	Customer Operations Expense	58,950	50,574	(8,376)	(1,344)	(7,032)	0.805088	(5,661)
6622	Number Services	Customer Operations Expense	228,396	195,942	(32,454)	(5,209)	(27,245)	0.805088	(21,935)
6623	Customer Services	Customer Operations Expense	805,513	691,054	(114,459)	(18,371)	(96,088)	0.805088	(77,359)
6711	Executive	Corporate Operations Expense	9,131	7,834	(1,297)	(208)	(1,089)	0.791512	(862)
6721	Accounting and Finance	Corporate Operations Expense	304,165	260,945	(43,220)	(6,937)	(36,283)	0.791512	(28,719)
6722	External Relations	Corporate Operations Expense	35,898	30,798	(5,101)	(819)	(4,282)	0.791512	(3,389)
6723	Human Resources	Corporate Operations Expense	94,432	81,014	(13,418)	(2,154)	(11,265)	0.791512	(8,916)
6724	Information Management	Corporate Operations Expense	24,644	21,142	(3,502)	(562)	(2,940)	0.791512	(2,327)
6728	Other General and Administrative	Corporate Operations Expense	(182,214)	(156,322)	25,892	4,156	21,736	0.791512	17,204
Total			**7,673,126**	**6,582,821**	**(1,090,305)**	**(174,994)**	**(915,311)**		**(687,484)**
		Summary							
		Maintenance Expense	3,484,770	2,989,605	(495,165)	(79,474)	(415,691)		(309,623)
		Engineering Expense	2,512,431	2,155,429	(357,001)	(57,299)	(299,703)		(217,373)
		Customer Operations Expense	1,389,868	1,192,376	(197,492)	(31,697)	(165,794)		(133,479)
		Corporate Operations Expense	286,057	245,410	(40,647)	(6,524)	(34,123)		(27,009)
		Total	**7,673,126**	**6,582,821**	**(1,090,305)**	**(174,994)**	**(915,311)**		**(687,484)**

Occupational Bonuses
Arizona 2003
EXTC = 19D

Worksheet PFN-7C

(A)	(B)	(C)	(D)	(E)	(F)=E-D	(G)= F x .1605	(H)=F-G
Main	**Description**	**Group**	**2003 Accrued**	**Actual Paid**	**Difference**	**Less Capital**	**Net Increase (Decrease)**
6124	General Purpose Computers	Maintenance Expense	18,429	16,055	(2,374)	(381)	(1,993)
6532	Network Administration	Maintenance Expense	5,609	4,886	(723)	(116)	(607)
6534	Plant Operations Administration	Maintenance Expense	3,718,438	3,239,394	(479,043)	(76,886)	(402,157)
6535	Engineering	Engineering Expense	27,902	24,307	(3,595)	(577)	(3,018)
6611	Product Management	Customer Operations Expense	1,180	1,028	(152)	(24)	(128)
6612	Sales	Customer Operations Expense	17,382	15,143	(2,239)	(359)	(1,880)
6621	Call Completion Services	Customer Operations Expense	19,700	17,162	(2,538)	(407)	(2,131)
6622	Number Services	Customer Operations Expense	(5,610)	(4,887)	723	116	607
6623	Customer Services	Customer Operations Expense	1,125,309	980,336	(144,973)	(23,268)	(121,705)
6711	Executive	Corporate Operations Expense		0	0	0	0
6721	Accounting and Finance	Corporate Operations Expense	20,938	18,241	(2,697)	(433)	(2,264)
6722	External Relations	Corporate Operations Expense	1,139	993	(147)	(24)	(123)
6723	Human Resources	Corporate Operations Expense	1,456	1,269	(188)	(30)	(158)
6724	Information Management	Corporate Operations Expense	7,233	6,301	(932)	(150)	(782)
6728	Other General and Administrative	Corporate Operations Expense	6,166	5,372	(794)	(128)	(667)
Total			**4,965,272**	**4,325,600**	**(639,672)**	**(102,667)**	**(537,005)**
		Summary					
		Maintenance Expense	3,742,475	3,260,335	(482,140)	(77,384)	(404,757)
		Engineering Expense	27,902	24,307	(3,595)	(577)	(3,018)
		Customer Operations Expense	1,157,962	1,008,782	(149,179)	(23,943)	(125,236)
		Corporate Operations Expense	36,933	32,175	(4,758)	(764)	(3,994)
		Total	**4,965,272**	**4,325,600**	**(639,672)**	**(102,667)**	**(537,005)**

(I)	(J)=HxI
Intrastate Factor	**Intrastate Expense Increase (Decrease)**
0.744839	(1,485)
0.744839	(452)
0.744839	(299,542)
0.725294	(2,189)
0.805088	(103)
0.805088	(1,514)
0.805088	(1,715)
0.805088	488
0.805088	(97,983)
0.791512	0
0.791512	(1,792)
0.791512	(98)
0.791512	(125)
0.791512	(619)
0.791512	(528)
	(407,657)

(301,479)
(2,189)
(100,827)
(3,162)
(407,657)

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-09

Arizona Corporation Commission
Docket No.
Title: Call Centers
Time: 7:43 AM
Date: 5/14/2004
Adj. # PFN-09

Qwest Corporation

Arizona Intrastate Operations
Normalization Adjustment

Call Centers

Test Year Ending December 31, 2003

$(000)

Operating Revenues	7,664
Operating Expenses	3,132
Total Operating Income Taxes	1,778
Net Operating Income	2,753
Rate Base	0
Revenue Requirement	(4,647)

This adjustment imputes $72 million of Directory revenue in accordance with the settlement agreement.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 7:43 AM
PFN-09

		Call Centers
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	7,664
5	Total Oper. Rev. (L1 thru L4)	7,664
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	3,132
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	3,132
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	3,132
23	Income From Operations (L5-L22)	4,531
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	1,483
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	295
26	**Net Operating Income (L23-L24-L25)**	2,753
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	2,753
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	2,753
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

Qwest
Spirit of Service

YEAR 2003 - Estimated Re-allocation of Affiliate Revenues Booked in 2003

Line	Description	Source	Amount
1	Total Service Orders Processed for QLDC in Year 2003	Records	2,795,288
2	Per Service Order Rate Charged to QLDC	Records	$ 31.51
3	Amount Paid by QLDC to QC - (AC 5280.9712)	L1xL2	$ 88,079,524.88
4	Arizona Percent	Records (HQ Prorate)	16.587%
5	AZ Revenues HQ Allocated	L3xL4	$ 14,609,750.79
6	Actual AZ Affiliate Revenue Booked in Year 2003 for the Service Order Function	Records	$ 5,142,967.67
7	Difference	L5-L6	**$ 9,466,783.12**
8	Intrastate Percent	Test Year	80.952%
9	Difference = Additional Affiliate Revenues	L7xL8	**$ 7,663,512.41**

Note: Affiliate BAN numbers related to the service order processing function performed for QLDC are BIQLDC23 and BIQLDC41.

Qwest
Spirit of Service

YEAR 2003

CONSUMER CALL CENTER INCURRED COSTS

TOTAL COMPANY	Arizona Actual	Arizona Revised
$ 14,900,808.64	$ 348,017.35	$ 2,471,597.13
$ 10,603,341.84	$ 1,751,922.84	$ 1,758,776.31
$ 14,505,797.67	$ 1,844,684.42	$ 2,406,076.66
$ 8,477,377.25	$ 1,405,827.07	$ 1,406,142.56
$ 14,570,466.46	$ 96,603.78	$ 2,416,803.27
$ 16,592,691.20	$ 1,880,949.40	$ 2,752,229.69
$ 13,059,360.98	$ 3,958,649.87	$ 2,166,156.21
$ 12,186,224.78	$ 3,041,725.81	$ 2,021,329.10
$ 27,207,264.06	$ 11,054,817.81	$ 4,512,868.89
$ 19,624,491.68	$ 3,567,353.55	$ 3,255,114.43
$ 19,541,895.36	$ 2,331,387.49	$ 3,241,414.18
$ 11,574,790.50	$ 1,870,244.68	$ 1,919,910.50
$ 21,622,127.28	$ 1,512,601.57	$ 3,586,462.25
$ 17,578,019.47	$ 1,537,051.74	$ 2,915,666.09
$ 7,126,669.23	$ 1,134,338.10	$ 1,182,100.63
$ 20,789,922.28	$ 232,640.43	$ 3,448,424.41
$ 4,669,697.72	$ 776,160.10	$ 774,562.76
$ 254,630,946.40	**$ 38,344,976.01**	**$ 42,235,635.07**
% AZ to Total Company =	15.06%	16.59%
Increase in Expenses (6612/6623)		$ 3,890,659.06
		0.805088
Intrastate Expense Increase (Decrease)		**$ 3,132,322.92**

CALL CENTER - CHEYENNE, WY
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6D5000	MP1850	6623	$ 785.46	0	$ -	0.16587	$ 130.28	$ 130.28
T8A6D5000	100000	6623	$ 2,635.72	1.0000	$ 2,635.72	0.16587	$ 437.19	$ (2,198.53)
T8A6D5000	700000	6623	$ 2,839.00	0	$ -	0.16587	$ 470.90	$ 470.90
T8A6D5000	900000	6623	$ 388,625.87	0.16587	$ 64,461.37	0.16587	$ 64,461.37	$ -
T8A6D5020	900000	6623	$ 4,274,811.67	0.16587	$ 709,063.01	0.16587	$ 709,063.01	$ -
TOTAL			$ 4,669,697.72		$ 776,160.10		$ 774,562.76	**$ (1,597.34)**

CALL CENTER - SEATTLE, WA
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT	AZ Portion		AZ Revised		Difference Revised vs Incurred
T8A910000		6612	$ -	0	$ -	0.16587	$ -	$ -
T8A910000		6623	$ -	0	$ -	0.16587	$ -	$ -
T8A910000	R00000	6623	$ 6,722.00	0	$ -	0.16587	$ 1,114.98	$ 1,114.98
T8A910000	WP1HR0	6623	$ 328,577.69	0	$ -	0.16587	$ 54,501.18	$ 54,501.18
T8A910000	W00000	6612	$ 1,069.00	0	$ -	0.16587	$ 177.32	$ 177.32
T8A910000	W00000	6623	$ 6,798.35	0	$ -	0.16587	$ 1,127.64	$ 1,127.64
T8A910000	100000	6623	$ 4,754.25	1.0000	$ 4,754.25	0.16587	$ 788.59	$ (3,965.66)
T8A910000	900000	6623	$ 587,662.18	0.16587	$ 97,475.53	0.16587	$ 97,475.53	$ -
T8A910010	RP1HW0	6623	$ 3,584.51	0	$ -	0.16587	$ 594.56	$ 594.56
T8A910010	WP1HR0	6623	$ 5,966,578.75	0	$ -	0.16587	$ 989,676.42	$ 989,676.42
T8A910010	W00000	6623	$ 95,542.82	0	$ -	0.16587	$ 15,847.69	$ 15,847.69
T8A910010	900000	6623	$ 648,863.78	0.16587	$107,627.04	0.16587	$ 107,627.04	$ -
T8A911200	WP1HR0	6623	$ 1,478,622.92	0	$ -	0.16587	$ 245,259.18	$ 245,259.18
T8A911200	W00000	6623	$ 250.48	0	$ -	0.16587	$ 41.55	$ 41.55
T8A911300	WP1HR0	6623	$ 615,186.43	0	$ -	0.16587	$ 102,040.97	$ 102,040.97
T8A911300	W00000	6623	$ 7,386.69	0	$ -	0.16587	$ 1,225.23	$ 1,225.23
T8A911300	900000	6623	$ 28,520.12	0.16587	$ 4,730.63	0.16587	$ 4,730.63	$ -
T8A911310	WP1HR0	6623	$ 4,538,094.38	0	$ -	0.16587	$ 752,733.71	$ 752,733.71
T8A911310	W00000	6623	$ 36.38	0	$ -	0.16587	$ 6.03	$ 6.03
T8A911310	900000	6623	$ 2,793.07	0.16587	$ 463.29	0.16587	$ 463.29	$ -
T8A911320	WP1HR0	6623	$ 97,457.07	0	$ -	0.16587	$ 16,165.20	$ 16,165.20
T8A911500	WP1HR0	6623	$ 935,687.86	0	$ -	0.16587	$ 155,202.55	$ 155,202.55
T8A911500	W00000	6612	$ 6,242.00	0	$ -	0.16587	$ 1,035.36	$ 1,035.36
T8A911500	W00000	6623	$ 19,355.36	0	$ -	0.16587	$ 3,210.47	$ 3,210.47
T8A911500	100000	6623	$ 16,698.67	1.0000	$ 16,698.67	0.16587	$ 2,769.81	$ (13,928.86)
T8A911500	900000	6623	$ 3,216.73	0.16587	$ 533.56	0.16587	$ 533.56	$ -
T8A911510	WP1HR0	6623	$ 4,790,429.22	0	$ -	0.16587	$ 794,588.49	$ 794,588.49
T8A911510	W00000	6623	$ 41.46	0	$ -	0.16587	$ 6.88	$ 6.88
T8A911510	500000	6623	$ 752.73	0	$ -	0.16587	$ 124.86	$ 124.86
T8A911510	900000	6612	$ 0.29	0.16587	$ 0.05	0.16587	$ 0.05	$ -
T8A911510	900000	6623	$ 2,104.16	0.16587	$ 349.02	0.16587	$ 349.02	$ -
T8A911520	WP1HR0	6623	$ 531,124.68	0	$ -	0.16587	$ 88,097.65	$ 88,097.65
T8A911520	900000	6623	$ 50.69	0.16587	$ 8.41	0.16587	$ 8.41	$ -
T8A911900	WP1HR0	6623	$ 41,823.43	0	$ -	0.16587	$ 6,937.25	$ 6,937.25
T8A912410	RP1HW0	6623	$ 20,114.83	0	$ -	0.16587	$ 3,336.45	$ 3,336.45
T8A912410	R00000	6623	$ 3,779.30	0	$ -	0.16587	$ 626.87	$ 626.87

T8A912610 RP1HW0 6623	$	-	0	$	-	0.16587	$	-	$	-
TOTAL	$ 20,789,922.28			$232,640.43			$ 3,448,424.41		**$**	**3,215,783.98**

CALL CENTER - HELENA, MT
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6D2000	200000	6623	$ 447.07	0	$ -	0.16587	$ 74.16	$ 74.16
T8A6D2000	300000	6623	$ (5.44)	0	$ -	0.16587	$ (0.90)	$ (0.90)
T8A6D2000	4P1855	6623	$ 284,225.20	0	$ -	0.16587	$ 47,144.43	$ 47,144.43
T8A6D2000	400000	6623	$ 989.33	0	$ -	0.16587	$ 164.10	$ 164.10
T8A6D2000	600000	6623	$ 80.62	0	$ -	0.16587	$ 13.37	$ 13.37
T8A6D2000	700000	6623	$ 1,216.44	0	$ -	0.16587	$ 201.77	$ 201.77
T8A6D2000	900000	6623	$ 2,678,333.45	0.16587	$ 444,255.17	0.16587	$ 444,255.17	$ -
T8A6D2020	4P1855	6623	$ 998.31	0	$ -	0.16587	$ 165.59	$ 165.59
T8A6D2020	900000	6612	$ 248,472.95	0.16587	$ 41,214.21	0.16587	$ 41,214.21	$ -
T8A6D2020	900000	6623	$ 3,911,911.30	0.16587	$ 648,868.73	0.16587	$ 648,868.73	$ -
TOTAL			$ 7,126,669.23		$ 1,134,338.10		$ 1,182,100.63	**$ 47,762.52**

CALL CENTER - PORTLAND, OR
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6C0000		6612	$ -	0	$ -	0.16587	$ -	$ -
T8A6C0000		6623	$ -	0	$ -	0.16587	$ -	$ -
T8A6C0000	RP1HW0	6623	$ 236,403.16	0	$ -	0.16587	$ 39,212.19	$ 39,212.19
T8A6C0000	900000	6623	$ 483,150.50	0.16587	$ 80,140.17	0.16587	$ 80,140.17	$ -
T8A6C6000	RP1HW0	6623	$ 1,082,749.19	0	$ -	0.16587	$ 179,595.61	$ 179,595.61
T8A6C6000	R00000	6623	$ 13,379.97	0	$ -	0.16587	$ 2,219.34	$ 2,219.34
T8A6C6000	900000	6612	$ 19,250.00	0.16587	$ 3,193.00	0.16587	$ 3,193.00	$ -
T8A6C6000	900000	6623	$ 983,799.23	0.16587	$ 163,182.78	0.16587	$ 163,182.78	$ -
T8A6C6020	RP1HW0	6623	$ 6,485,638.49	0	$ -	0.16587	$ 1,075,772.86	$ 1,075,772.86
T8A6C6020	R00000	6623	$ 551,243.56	0	$ -	0.16587	$ 91,434.77	$ 91,434.77
T8A6C6020	100000	6623	$ 11,533.47	1	$ 11,533.47	0.16587	$ 1,913.06	$ (9,620.41)
T8A6C6020	900000	6623	$ 7,710,871.90	0.16587	$ 1,279,002.32	0.16587	$ 1,279,002.32	$ -
TOTAL			$ 17,578,019.47		$ 1,537,051.74		$ 2,915,666.09	**$ 1,378,614.35**

CALL CENTER - DES MOINES, IA
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6C0020	CP1850	6623	$ 538,563.51	0	$ -	0.16587	$ 89,331.53	$ 89,331.53
T8A6C0020	900000	6623	$ 12,831.07	0.16587	$ 2,128.29	0.16587	$ 2,128.29	$ -
T8A6C1900	CP1850	6623	$ 3,240,494.84	0	$ -	0.16587	$ 537,500.88	$ 537,500.88
T8A6C1900	C00000	6612	$ 598.20	0	$ -	0.16587	$ 99.22	$ 99.22
T8A6C1900	C00000	6623	$ 472,473.31	0	$ -	0.16587	$ 78,369.15	$ 78,369.15
T8A6C1900	100000	6623	$ 23,823.75	1	$ 23,823.75	0.16587	$ 3,951.65	$ (19,872.10)
T8A6C1900	200000	6623	$ 24.60	0	$ -	0.16587	$ 4.08	$ 4.08
T8A6C1900	900000	6623	$ 7,747,527.88	0.16587	$ 1,285,082.45	0.16587	$ 1,285,082.45	$ -
T8A6C1920	CP1850	6623	$ 3,946,035.47	0	$ -	0.16587	$ 654,528.90	$ 654,528.90
T8A6C1920	900000	6623	$ 1,085,000.59	0.16587	$ 179,969.05	0.16587	$ 179,969.05	$ -
T8A6C1999	CP1850	6623	$ 140,641.73	0	$ -	0.16587	$ 23,328.24	$ 23,328.24
T8A6C1999	C00000	6623	$ 4,283,901.73	0	$ -	0.16587	$ 710,570.78	$ 710,570.78
T8A6C1999	900000	6623	$ 130,210.60	0.16587	$ 21,598.03	0.16587	$ 21,598.03	$ -
TOTAL			$ 21,622,127.28		$ 1,512,601.57		$ 3,586,462.25	**$ 2,073,860.68**

CALL CENTER - DENVER
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6D4000	100000	6623	$ 5,351.49	1	$ 5,351.49	0.16587	$ 887.65	$ (4,463.84)
T8A6D4000	2P1859	6623	$ 82,165.45	0	$ -	0.16587	$ 13,628.78	$ 13,628.78
T8A6D4000	200000	6623	$ 14,189.74	0	$ -	0.16587	$ 2,353.65	$ 2,353.65
T8A6D4000	900000	6612	$ -	0.16587	$ -	0.16587	$ -	$ -
T8A6D4000	900000	6623	$ 6,098,308.41	0.16587	$ 1,011,526.42	0.16587	$ 1,011,526.42	$ -
T8A6D4020	2P1859	6623	$ 226,274.88	0	$ -	0.16587	$ 37,532.21	$ 37,532.21
T8A6D4020	200000	6623	$ 3,707.75	0	$ -	0.16587	$ 615.00	$ 615.00
T8A6D4020	900000	6612	$ 159,973.32	0.16587	$ 26,534.77	0.16587	$ 26,534.77	$ -
T8A6D4020	900000	6623	$ 4,984,819.46	0.16587	$ 826,832.00	0.16587	$ 826,832.00	$ -
TOTAL			$ 11,574,790.50		$ 1,870,244.68		$ 1,919,910.50	**$ 49,665.82**

CALL CENTER - DENVER, CO
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A930000		6623	$ -	0	$ -	0.16587	$ -	$ -
T8A930000	2P1859	6623	$ (1,226.53)	0	$ -	0.16587	$ (203.44)	$ (203.44)
T8A930000	900000	6623	$ 286,736.85	0.16587	$ 47,561.04	0.16587	$ 47,561.04	$ -
T8A930010	100000	6623	$ 82.09	1	$ 82.09	0.16587	$ 13.62	$ (68.47)
T8A930010	2P1859	6623	$ 120,176.31	0	$ -	0.16587	$ 19,933.64	$ 19,933.64
T8A930010	200000	6623	$ 63,495.24	0	$ -	0.16587	$ 10,531.96	$ 10,531.96
T8A930010	500000	6623	$ 37.17	0	$ -	0.16587	$ 6.17	$ 6.17
T8A930010	900000	6623	$ 8,964,347.30	0.16587	$ 1,486,916.29	0.16587	$ 1,486,916.29	$ -
T8A932000	900000	6623	$ 8,578.62	0.16587	$ 1,422.94	0.16587	$ 1,422.94	$ -
T8A932300	100000	6623	$ 1,255.60	1	$ 1,255.60	0.16587	$ 208.27	$ (1,047.33)
T8A932300	2P1859	6623	$ 2,136,263.80	0	$ -	0.16587	$ 354,342.08	$ 354,342.08
T8A932300	200000	6623	$ 195,277.13	0	$ -	0.16587	$ 32,390.62	$ 32,390.62
T8A932300	300000	6623	$ (208.33)	0	$ -	0.16587	$ (34.56)	$ (34.56)
T8A932300	600000	6623	$ (41.50)	0	$ -	0.16587	$ (6.88)	$ (6.88)
T8A932300	700000	6623	$ (41.50)	0	$ -	0.16587	$ (6.88)	$ (6.88)
T8A932300	900000	6623	$ 2,778,790.34	0.16587	$ 460,917.95	0.16587	$ 460,917.95	$ -
T8A932310	2P1859	6623	$ 403,183.57	0	$ -	0.16587	$ 66,876.06	$ 66,876.06
T8A932320	2P1859	6623	$ 902.97	0	$ -	0.16587	$ 149.78	$ 149.78
T8A932320	900000	6623	$ 25,644.30	0.16587	$ 4,253.62	0.16587	$ 4,253.62	$ -
T8A932400	2P1859	6623	$ 293,894.06	0	$ -	0.16587	$ 48,748.21	$ 48,748.21
T8A932400	200000	6623	$ 62,721.08	0	$ -	0.16587	$ 10,403.55	$ 10,403.55
T8A932400	900000	6623	$ 23,401.38	0.16587	$ 3,881.59	0.16587	$ 3,881.59	$ -
T8A932410	2P1859	6623	$ 412,310.62	0	$ -	0.16587	$ 68,389.96	$ 68,389.96
T8A932410	200000	6623	$ 66,895.18	0	$ -	0.16587	$ 11,095.90	$ 11,095.90
T8A932700	100000	6623	$ 3,937.26	1	$ 3,937.26	0.16587	$ 653.07	$ (3,284.19)
T8A932700	2P1859	6623	$ 1,465,819.69	0	$ -	0.16587	$ 243,135.51	$ 243,135.51
T8A932700	200000	6623	$ 293,452.89	0	$ -	0.16587	$ 48,675.03	$ 48,675.03
T8A932700	900000	6623	$ 1,930,281.66	0.16587	$ 320,175.82	0.16587	$ 320,175.82	$ -
T8A932800	900000	6623	$ 5,928.11	0.16587	$ 983.30	0.16587	$ 983.30	$ -
TOTAL			$ 19,541,895.36		$ 2,331,387.49		$ 3,241,414.18	**$ 910,026.69**

CALL CENTER - PHOENIX, AZ
(EL CENTRO)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs. Incurred
T8A970000		6612	$ -	0	$ -	0.16587	$ -	$ -
T8A970000		6623	$ -	0	$ -	0.16587	$ -	$ -
T8A971000	1P1500	6623	$ 99,998.29	0.76276	$ 76,274.70	0.16587	$ 16,586.72	$ (59,687.98)
T8A971000	100000	6612	$ 6,540.00	1	$ 6,540.00	0.16587	$ 1,084.79	$ (5,455.21)
T8A971000	100000	6623	$ 48,747.97	1	$ 48,747.97	0.16587	$ 8,085.83	$ (40,662.14)
T8A971000	900000	6612	$ 37,643.68	0.16587	$ 6,243.96	0.16587	$ 6,243.96	$ -
T8A971000	900000	6623	$ 2,406,022.54	0.16587	$ 399,086.96	0.16587	$ 399,086.96	$ -
T8A97101E	900000	6623	$ 6,094,645.67	0.16587	$ 1,010,918.88	0.16587	$ 1,010,918.88	$ -
T8A971010	1P1500	6623	$ 345,664.44	0.76276	$ 263,659.01	0.16587	$ 57,335.36	$ (206,323.65)
T8A971010	100000	6623	$ 132.03	1	$ 132.03	0.16587	$ 21.90	$ (110.13)
T8A971010	900000	6623	$ 10,017,969.97	0.16587	$ 1,661,680.68	0.16587	$ 1,661,680.68	$ -
T8A971020	900000	6623	$ 567,127.09	0.16587	$ 94,069.37	0.16587	$ 94,069.37	$ -
TOTAL			$ 19,624,491.68		$ 3,567,353.55		$ 3,255,114.43	**$ (312,239.11)**

CALL CENTER - PHOENIX, AZ
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised		Difference Revised vs Incurred
T8A920000		6612	$ -	0	$ -	0.16587	$ -		$ -
T8A920000		6623	$ -	0	$ -	0.16587	$ -		$ -
T8A920000	C00000	6623	$ 127.07	0	$ -	0.16587	$ 21.08		$ 21.08
T8A920000	100000	6623	$ 4,260.07	1	$ 4,260.07	0.16587	$ 706.62		$ (3,553.45)
T8A920000	5P1100	6623	$ 4,102.34	0.76276	$ 3,129.10	0.16587	$ 680.46		$ (2,448.65)
T8A920000	500000	6623	$ (61.40)	0	$ -	0.16587	$ (10.18)		$ (10.18)
T8A920000	600000	6623	$ (60.05)	0	$ -	0.16587	$ (9.96)		$ (9.96)
T8A920000	900000	6623	$ 217,207.43	0.16587	$ 36,028.20	0.16587	$ 36,028.20		$ -
T8A920010	1P1500	6623	$ 119,571.71	0.76276	$ 91,204.52	0.16587	$ 19,833.36		$ (71,371.16)
T8A920010	6P1347	6623	$ 52,625.69	0.32109	$ 16,897.58	0.16587	$ 8,729.02		$ (8,168.56)
T8A920010	6P1859	6623	$ 67,112.75	0	$ -	0.16587	$ 11,131.99		$ 11,131.99
T8A920010	600000	6623	$ 5,018.16	0	$ -	0.16587	$ 832.36		$ 832.36
T8A920010	900000	6623	$ 3,100,953.86	0.16587	$ 514,355.22	0.16587	$ 514,355.22		$ -
T8A921300	1P1500	6623	$ 2,225,199.08	0.76276	$ 1,697,292.85	0.16587	$ 369,093.77		$ (1,328,199.08)
T8A921300	100000	6623	$ 28,245.10	1	$ 28,245.10	0.16587	$ 4,685.01		$ (23,560.09)
T8A921300	900000	6612	$ 245,531.46	0.16587	$ 40,726.30	0.16587	$ 40,726.30		$ -
T8A921300	900000	6623	$ 1,727,402.95	0.16587	$ 286,524.33	0.16587	$ 286,524.33		$ -
T8A921310	1P1500	6623	$ 3,457,357.95	0.76276	$ 2,637,134.35	0.16587	$ 573,471.96		$ (2,063,662.39)
T8A921310	900000	6623	$ 5,471,355.29	0.16587	$ 907,533.70	0.16587	$ 907,533.70		$ -
T8A921320	1P1500	6623	$ 96,056.63	0.76276	$ 73,268.16	0.16587	$ 15,932.91		$ (57,335.24)
T8A921320	900000	6623	$ 34,333.26	0.16587	$ 5,694.86	0.16587	$ 5,694.86		$ -
T8A921400	900000	6623	$ 56,384.85	0.16587	$ 9,352.56	0.16587	$ 9,352.56		$ -
T8A921700	M00000	6623	$ 19.80	0	$ -	0.16587	$ 3.28		$ 3.28
T8A921700	1P1500	6623	$ 1,309,945.85	0.76276	$ 999,174.30	0.16587	$ 217,280.72		$ (781,893.58)
T8A921700	100000	6612	$ 5,931.00	1	$ 5,931.00	0.16587	$ 983.77		$ (4,947.23)
T8A921700	100000	6623	$ 34,816.52	1	$ 34,816.52	0.16587	$ 5,775.02		$ (29,041.50)
T8A921700	500000	6623	$ 2,128.00	0	$ -	0.16587	$ 352.97		$ 352.97
T8A921700	900000	6623	$ 403,940.05	0.16587	$ 67,001.54	0.16587	$ 67,001.54		$ -
T8A921710	1P1500	6623	$ 3,389,392.11	0.76276	$ 2,585,292.73	0.16587	$ 562,198.47		$ (2,023,094.26)
T8A921710	100000	6623	$ 174.92	1	$ 174.92	0.16587	$ 29.01		$ (145.91)
T8A921710	900000	6623	$ 4,807,306.55	0.16587	$ 797,387.94	0.16587	$ 797,387.94		$ -

T8A921720	1P1500	6623	$	262,777.71	0.76276	$	200,436.33	0.16587	$ 43,586.94	$ (156,849.39)
T8A921720	900000	6612	$	78,107.35	0.16587	$	12,955.67	0.16587	$ 12,955.67	$ -
TOTAL			$	27,207,264.06		$	11,054,817.81		$ 4,512,868.89	**$ (6,541,948.92)**

CALL CENTER - PHOENIX, AZ
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6C9000	1P1500	6623	$ 143,335.69	0.76276	$ 109,330.73	0.16587	$ 23,775.09	$ (85,555.64)
T8A6C9000	100000	6623	$ 78,875.58	1	$ 78,875.58	0.16587	$ 13,083.09	$ (65,792.49)
T8A6C9000	900000	6612	$ 136,311.32	0.16587	$ 22,609.96	0.16587	$ 22,609.96	$ -
T8A6C9000	900000	6623	$ 1,690,293.74	0.16587	$ 280,369.02	0.16587	$ 280,369.02	$ -
T8A6C9010	CP1850	6623	$ 4,914.49	0	$ -	0.16587	$ 815.17	$ 815.17
T8A6C9010	100000	6623	$ 211,142.74	1	$ 211,142.74	0.16587	$ 35,022.25	$ (176,120.49)
T8A6C9010	900000	6623	$ 1,655.92	0.16587	$ 274.67	0.16587	$ 274.67	$ -
T8A6C9020	1P1500	6623	$ 1,140,398.56	0.76276	$ 869,850.41	0.16587	$ 189,157.91	$ (680,692.50)
T8A6C9020	100000	6623	$ 14,946.90	1	$ 14,946.90	0.16587	$ 2,479.24	$ (12,467.66)
T8A6C9020	5P1100	6623	$ 976.89	0.76276	$ 745.13	0.16587	$ 162.04	$ (583.10)
T8A6C9020	900000	6612	$ 817,185.03	0.16587	$ 135,546.48	0.16587	$ 135,546.48	$ -
T8A6C9020	900000	6623	$ 7,946,187.92	0.16587	$ 1,318,034.19	0.16587	$ 1,318,034.19	$ -
TOTAL			$ 12,186,224.78		$ 3,041,725.81		$ 2,021,329.10	**$ (1,020,396.70)**

CALL CENTER - ALBUQUERQUE, NM
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6C4200	100000	6623	$ 368.25	1	$ 368.25	0.16587	$ 61.08	$ (307.17)
T8A6C4200	5P1100	6623	$ 736,427.52	0.76276	$ 561,717.46	0.16587	$ 122,151.23	$ (439,566.22)
T8A6C4200	500000	6623	$ 1,713,357.76	0	$ -	0.16587	$ 284,194.65	$ 284,194.65
T8A6C4200	900000	6612	$ 250,147.71	0.16587	$ 41,492.00	0.16587	$ 41,492.00	$ -
T8A6C4200	900000	6623	$ 5,774,477.72	0.16587	$ 957,812.62	0.16587	$ 957,812.62	$ -
T8A6C4220	5P1100	6623	$ 2,884,988.73	0.76276	$ 2,200,554.00	0.16587	$ 478,533.08	$ (1,722,020.92)
T8A6C4220	500000	6623	$ 513,691.42	0	$ -	0.16587	$ 85,206.00	$ 85,206.00
T8A6C4220	900000	6612	$ 358.69	0.16587	$ 59.50	0.16587	$ 59.50	$ -
T8A6C4220	900000	6623	$ 1,185,543.18	0.16587	$ 196,646.05	0.16587	$ 196,646.05	$ -
TOTAL			$ 13,059,360.98		$ 3,958,649.87		$ 2,166,156.21	**$ (1,792,493.67)**

CALL CENTER - SALT LAKE CITY, UT
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A922100	100000	6623	$ 9,118.63	1	$ 9,118.63	0.16587	$ 1,512.51	$ (7,606.12)
T8A922100	6P1G02	6623	$ 94,162.84	0.32109	$ 30,234.75	0.16587	$ 15,618.79	$ (14,615.96)
T8A922100	6P1347	6623	$ 893,368.13	0	$ -	0.16587	$ 148,182.97	$ 148,182.97
T8A922100	6P1859	6623	$ 1,561,704.09	0	$ -	0.16587	$ 259,039.86	$ 259,039.86
T8A922100	600000	6612	$ 691.96	0	$ -	0.16587	$ 114.78	$ 114.78
T8A922100	600000	6623	$ 93,807.22	0	$ -	0.16587	$ 15,559.80	$ 15,559.80
T8A922100	900000	6623	$ 10,818,935.76	0.16587	$ 1,794,536.87	0.16587	$ 1,794,536.87	$ -
T8A922110	MP1850	6623	$ 870.28	0	$ -	0.16587	$ 144.35	$ 144.35
T8A922110	6P1347	6623	$ 173,448.54	0	$ -	0.16587	$ 28,769.91	$ 28,769.91
T8A922110	6P1859	6623	$ 2,222,530.22	0	$ -	0.16587	$ 368,651.09	$ 368,651.09
T8A922110	600000	6623	$ 264,698.20	0	$ -	0.16587	$ 43,905.49	$ 43,905.49
T8A922110	900000	6623	$ 250,151.97	0.16587	$ 41,492.71	0.16587	$ 41,492.71	$ -
T8A922120	6P1347	6623	$ 30,724.37	0	$ -	0.16587	$ 5,096.25	$ 5,096.25
T8A922120	6P1859	6623	$ 144,919.94	0	$ -	0.16587	$ 24,037.87	$ 24,037.87
T8A922120	900000	6623	$ 33,559.05	0.16587	$ 5,566.44	0.16587	$ 5,566.44	$ -
TOTAL			$ 16,592,691.20		$ 1,880,949.40		$ 2,752,229.69	**$ 871,280.29**

CALL CENTER - OMAHA, NE
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A952400	BP1850	6623	$ 1,010,698.75	0	$ -	0.16587	$ 167,644.60	$ 167,644.60
T8A952400	B00000	6612	$ 4,916.00	0	$ -	0.16587	$ 815.42	$ 815.42
T8A952400	B00000	6623	$ 39,645.95	0	$ -	0.16587	$ 6,576.07	$ 6,576.07
T8A952400	100000	6623	$ 7,941.27	1	$ 7,941.27	0.16587	$ 1,317.22	$ (6,624.05)
T8A952400	900000	6623	$ 84,346.86	0.16587	$ 13,990.61	0.16587	$ 13,990.61	$ -
T8A952410	BP1850	6623	$ 12,697,335.12	0	$ -	0.16587	$ 2,106,106.98	$ 2,106,106.98
T8A952410	B00000	6623	$ 75.15	0	$ -	0.16587	$ 12.47	$ 12.47
T8A952410	200000	6623	$ 41.97	0	$ -	0.16587	$ 6.96	$ 6.96
T8A952410	900000	6623	$ 450,183.27	0.16587	$ 74,671.90	0.16587	$ 74,671.90	$ -
T8A952420	BP1850	6623	$ 275,282.12	0	$ -	0.16587	$ 45,661.05	$ 45,661.05
TOTAL			$ 14,570,466.46		$ 96,603.78		$ 2,416,803.27	**$ 2,320,199.49**

CALL CENTER - IDAHO FALLS, ID
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A935000	100000	6623	$ 8,279.53	1	$ 8,279.53	0.16587	$ 1,373.33	$ (6,906.20)
T8A935000	300000	6612	$ 1,042.00	0	$ -	0.16587	$ 172.84	$ 172.84
T8A935000	300000	6623	$ 9,033.25	0	$ -	0.16587	$ 1,498.35	$ 1,498.35
T8A935000	900000	6623	$ 6,654,702.52	0.16587	$ 1,103,815.51	0.16587	$ 1,103,815.51	$ -
T8A935010	900000	6623	$ 135,437.23	0.16587	$ 22,464.97	0.16587	$ 22,464.97	$ -
T8A935020	WP1HR0	6623	$ 27,557.07	0	$ -	0.16587	$ 4,570.89	$ 4,570.89
T8A935020	900000	6623	$ 376,476.11	0.16587	$ 62,446.09	0.16587	$ 62,446.09	$ -
T8A935100	300000	6623	$ 5,906.00	0	$ -	0.16587	$ 979.63	$ 979.63
T8A935100	900000	6623	$ 1,258,943.54	0.16587	$ 208,820.96	0.16587	$ 208,820.96	$ -
TOTAL			$ 8,477,377.25		$ 1,405,827.07		$ 1,406,142.56	**$ 315.50**

CALL CENTER - BOISE, ID
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A914100	100000	6623	$ 246.75	1	$ 246.75	0.16587	$ 40.93	$ (205.82)
T8A914100	3P1859	6623	$ 741,885.91	0	$ -	0.16587	$ 123,056.62	$ 123,056.62
T8A914100	300000	6623	$ 6,970.28	0	$ -	0.16587	$ 1,156.16	$ 1,156.16
T8A914100	400000	6623	$ 1,680.25	0	$ -	0.16587	$ 278.70	$ 278.70
T8A914100	900000	6623	$ 1,275,261.15	0.16587	$ 211,527.57	0.16587	$ 211,527.57	$ -
T8A914110	RP1HW0	6623	$ 3,025.27	0	$ -	0.16587	$ 501.80	$ 501.80
T8A914110	100000	6623	$ 12,596.47	1	$ 12,596.47	0.16587	$ 2,089.38	$ (10,507.09)
T8A914110	3P1467	6623	$ 137.05	0	$ -	0.16587	$ 22.73	$ 22.73
T8A914110	3P1859	6623	$ 2,352,808.48	0	$ -	0.16587	$ 390,260.34	$ 390,260.34
T8A914110	300000	6623	$ 301,271.48	0	$ -	0.16587	$ 49,971.90	$ 49,971.90
T8A914110	900000	6623	$ 9,715,592.08	0.16587	$ 1,611,525.26	0.16587	$ 1,611,525.26	$ -
T8A933410	3P1859	6623	$ 41,338.99	0	$ -	0.16587	$ 6,856.90	$ 6,856.90
T8A933410	900000	6623	$ 52,983.51	0.16587	$ 8,788.37	0.16587	$ 8,788.37	$ -
TOTAL			$ 14,505,797.67		$ 1,844,684.42		$ 2,406,076.66	**$ 561,392.24**

CALL CENTER - POCATELLO, ID
(CARE)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A6D3000	100000	6623	$ 12,039.52	1	$ 12,039.52	0.16587	$ 1,997.00	$ (10,042.52)
T8A6D3000	3P1859	6623	$ 44,128.92	0	$ -	0.16587	$ 7,319.66	$ 7,319.66
T8A6D3000	300000	6623	$ 59,627.52	0	$ -	0.16587	$ 9,890.42	$ 9,890.42
T8A6D3000	6P1347	6623	$ 2,044.65	0.32109	$ 656.52	0.16587	$ 339.15	$ (317.37)
T8A6D3000	900000	6623	$ 2,874,401.20	0.16587	$ 476,776.93	0.16587	$ 476,776.93	$ -
T8A6D3020	300000	6623	$ 19.80	0	$ -	0.16587	$ 3.28	$ 3.28
T8A6D3020	900000	6623	$ 7,611,080.23	0.16587	$ 1,262,449.88	0.16587	$ 1,262,449.88	$ -
TOTAL			$ 10,603,341.84		$ 1,751,922.84		$ 1,758,776.31	**$ 6,853.47**

CALL CENTER - ST. PAUL, MN
(SALES)

RCO	ADRS	MAIN	YEAR 2003 AMT		AZ Portion		AZ Revised	Difference Revised vs Incurred
T8A913100	B00000	6623	$ (51.25)	0	$ -	0.16587	$ (8.50)	$ (8.50)
T8A95A120	M00000	6612	$ 354.00	0	$ -	0.16587	$ 58.72	$ 58.72
T8A95A120	900000	6612	$ 1,163,442.70	0.16587	$ 192,980.24	0.16587	$ 192,980.24	$ -
T8A95A120	900000	6623	$ 12,299.91	0.16587	$ 2,040.19	0.16587	$ 2,040.19	$ -
T8A950000		6612	$ -	0	$ -	0.16587	$ -	$ -
T8A950000		6623	$ -	0	$ -	0.16587	$ -	$ -
T8A950000	BP1850	6623	$ 10,200.23	0	$ -	0.16587	$ 1,691.91	$ 1,691.91
T8A950000	B00000	6623	$ 9,592.40	0	$ -	0.16587	$ 1,591.09	$ 1,591.09
T8A950000	CP1850	6623	$ 81,133.02	0	$ -	0.16587	$ 13,457.53	$ 13,457.53
T8A950000	C00000	6623	$ 9,927.16	0	$ -	0.16587	$ 1,646.62	$ 1,646.62
T8A950000	MP1850	6623	$ 212,308.74	0	$ -	0.16587	$ 35,215.65	$ 35,215.65
T8A950000	M00000	6623	$ 7,590.17	0	$ -	0.16587	$ 1,258.98	$ 1,258.98
T8A950000	100000	6623	$ 27,026.83	1	$ 27,026.83	0.16587	$ 4,482.94	$ (22,543.89)
T8A950000	300000	6612	$ 1,145.00	0	$ -	0.16587	$ 189.92	$ 189.92
T8A950000	900000	6623	$ 345,023.33	0.16587	$ 57,229.02	0.16587	$ 57,229.02	$ -
T8A951910	CP1850	6623	$ 16,403.90	0	$ -	0.16587	$ 2,720.91	$ 2,720.91
T8A953700	MP1850	6623	$ 1,494,852.96	0	$ -	0.16587	$ 247,951.26	$ 247,951.26
T8A953700	M00000	6612	$ 2,725.00	0	$ -	0.16587	$ 452.00	$ 452.00
T8A953700	M00000	6623	$ 19,445.04	0	$ -	0.16587	$ 3,225.35	$ 3,225.35
T8A953700	100000	6623	$ 9,200.10	1	$ 9,200.10	0.16587	$ 1,526.02	$ (7,674.08)
T8A953700	900000	6623	$ 156,917.74	0.16587	$ 26,027.95	0.16587	$ 26,027.95	$ -
T8A953710	MP1850	6623	$ 10,886,197.45	0	$ -	0.16587	$ 1,805,693.57	$ 1,805,693.57
T8A953710	M00000	6623	$ 31.80	0	$ -	0.16587	$ 5.27	$ 5.27
T8A953710	100000	6623	$ 11.93	1	$ 11.93	0.16587	$ 1.98	$ (9.95)
T8A953710	900000	6612	$ 61,349.40	0.16587	$ 10,176.02	0.16587	$ 10,176.02	$ -
T8A953710	900000	6623	$ 140,622.63	0.16587	$ 23,325.08	0.16587	$ 23,325.08	$ -
T8A953720	MP1850	6623	$ 233,058.45	0	$ -	0.16587	$ 38,657.41	$ 38,657.41
TOTAL			$ 14,900,808.64		$ 348,017.35		$ 2,471,597.13	**$ 2,123,579.78**

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-10

Arizona Corporation Commission
Docket No.
Title: Property Tax Update
Time: 8:13 AM
Date: 5/14/2004
Adj. # PFN-10

Qwest Corporation

Arizona Intrastate Operations
Commission Adjustment

Property Tax Update

Test Year Ending December 31, 2003

$(000)

Operating Revenues	(1,456)
Operating Expenses	0
Total Operating Income Taxes	(571)
Net Operating Income	(884)
Rate Base	0
Revenue Requirement	1,493

This adjustment removes the impact of an accrued liability for franchise taxes collected for TRS.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 8:13 AM
PFN-10

		Property Tax Update
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	(1,456)
5	Total Oper. Rev. (L1 thru L4)	(1,456)
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	(1,456)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(476)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(95)
26	**Net Operating Income (L23-L24-L25)**	(884)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(884)
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(884)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Property Tax TrueUp

Line #	Description	Source	Amount
Net Operating Income			
1	Property Tax Expense, Test Year	Detail	87,281,036
2	Estimated Tax Based on current rates and investment	Records	85,300,000
3	Property Tax Increase (Decrease)	L2-L1	(1,981,036)
4	Intrastate Factor	Test Year	73.4727%
5	**Intrastate Expense Increase (Decrease)**	L3xL4	**(1,455,521)**

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Property Tax TrueUp

MAINSUB	ACTY	CPIM	2001	2002	2003	200101	200102	200103	200104	200105
72401900 Real and Personal Property	7	ASSETGL	0	82,436,531	87,281,036					
72401900 Real and Personal Property	7	SEC1202	0	0	0					
72401900 Real and Personal Property	7	SEC1202R	0	0	0					
72401900 Real and Personal Property	7	SECOVERE	0	(8,154,046)	0					
72401900 Real and Personal Property	7	SECRES02	0	0	0					
72401900 Real and Personal Property	144	TAS	63,117,412	6,354,677	0	6,354,677	6,354,677	6,354,677	6,354,677	6,354,677
		TOTAL	**63,117,412**	**80,637,162**	**87,281,036**	**6,354,677**	**6,354,677**	**6,354,677**	**6,354,677**	**6,354,677**

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Property Tax TrueUp

MAINSUB	ACTY	CPIM	200106	200107	200108	200109	200110	200111	200112	200201	200202
72401900 Real and Personal Property	7	ASSETGL									6,354,677
72401900 Real and Personal Property	7	SEC1202									
72401900 Real and Personal Property	7	SEC1202R									
72401900 Real and Personal Property	7	SECOVERE									
72401900 Real and Personal Property	7	SECRES02								1,173,000	1,173,000
72401900 Real and Personal Property	144	TAS	(6,784,035)	6,354,677	6,354,677	6,354,677	6,354,677	6,354,677	6,354,677	6,354,677	
		TOTAL	**(6,784,035)**	**6,354,677**	**6,354,677**	**6,354,677**	**6,354,677**	**6,354,677**	**6,354,677**	**7,527,677**	**7,527,677**

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Property Tax TrueUp

MAINSUB	ACTY	CPIM	200203	200204	200205	200206	200207	200208	200209	200210
72401900 Real and Personal Property	7	ASSETGL	1,807,854	5,324,285	5,325,152	12,862,451	10,781,022	7,543,992	10,114,440	7,440,886
72401900 Real and Personal Property	7	SEC1202								
72401900 Real and Personal Property	7	SEC1202R								
72401900 Real and Personal Property	7	SECOVERE								
72401900 Real and Personal Property	7	SECRES02	1,173,000	(1,173,000)	(1,173,000)	(1,173,000)				
72401900 Real and Personal Property	144	TAS								
		TOTAL	**2,980,854**	**4,151,285**	**4,152,152**	**11,689,451**	**10,781,022**	**7,543,992**	**10,114,440**	**7,440,886**

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Property Tax TrueUp

MAINSUB	ACTY	CPIM	200211	200212	200301	200302	200303	200304	200305	200306	200307
72401900 Real and Personal Property	7	ASSETGL	7,440,886	7,440,886	6,973,487	6,772,490	6,917,490	6,935,571	6,935,571	9,785,705	7,214,000
72401900 Real and Personal Property	7	SEC1202		0							
72401900 Real and Personal Property	7	SEC1202R		0							
72401900 Real and Personal Property	7	SECOVERE		(8,154,046)							
72401900 Real and Personal Property	7	SECRES02									
72401900 Real and Personal Property	144	TAS									
		TOTAL	**7,440,886**	**(713,160)**	**6,973,487**	**6,772,490**	**6,917,490**	**6,935,571**	**6,935,571**	**9,785,705**	**7,214,000**

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Property Tax TrueUp

MAINSUB	ACTY	CPIM	200308	200309	200310	200311	200312
72401900 Real and Personal Property	7	ASSETGL	7,214,000	7,214,000	7,214,000	7,214,000	6,890,722
72401900 Real and Personal Property	7	SEC1202					
72401900 Real and Personal Property	7	SEC1202R					
72401900 Real and Personal Property	7	SECOVERE					
72401900 Real and Personal Property	7	SECRES02					
72401900 Real and Personal Property	144	TAS					
		TOTAL	**7,214,000**	**7,214,000**	**7,214,000**	**7,214,000**	**6,890,722**

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFN-11

Arizona Corporation Commission
Docket No.
Title: Depreciation Synchronization
Time: 8:16 AM
Date: 5/14/2004
Adj. # PFN-11

Qwest Corporation

Arizona Intrastate Operations
Accounting Adjustment

Depreciation Synchronization

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	6,001
Total Operating Income Taxes	(2,354)
Net Operating Income	(3,647)
Rate Base	(3,647)
Revenue Requirement	5,466

This adjustment reflects the impact of calculating depreciation based on 12/31/03 Investment using Technical Update lives.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 8:16 AM
PFN-11

		Depreciation Synchronization
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	6,001
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	6,001
23	Income From Operations (L5-L22)	(6,001)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(1,964)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(391)
26	**Net Operating Income (L23-L24-L25)**	(3,647)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(3,647)
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(3,647)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	6,001
39	Accumulated Deferred Income Tax	(2,354)
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base**	(3,647)
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

QWEST CORPORATION
Arizona Intrastate Monthly Depreciation- Technical Update
Includes Brosch Adjustments and SXS, X-bar and Analog Depn Reserve

Class of Plant	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	Jun 2003	Jul 2003	Aug 2003	Sep 2003	Oct 2003	Nov 2003	Dec 2003	1/1/03 Technical Update Rates	Dec 31, 2003 Investment	2003 Depr based on 12/31/03 Investment
2112 MOTOR VEHICLES	254,850	254,447	254,043	253,640	253,237	252,833	252,430	252,027	251,623	251,220	250,817	250,413	6.0%	50,002	3,000
2114 SPEC PURPOSE VEHICLES	195	195	195	195	195	195	195	195	195	195	195	195	13.0%	18	2
2115 GARAGE WORK EQUIP	12,787	12,812	12,836	12,860	12,885	12,909	12,933	12,958	12,982	13,006	13,031	13,055	14.6%	1,075	157
2116 OTHER WORK EQUIP	165,223	166,900	168,577	170,254	171,931	173,608	175,285	176,962	178,639	180,316	181,993	183,670	8.2%	27,124	2,224
2121 BUILDINGS	427,009	430,052	433,095	436,138	439,181	442,225	445,268	448,311	451,354	454,397	457,440	460,483	3.3%	168,555	5,562
2122 FURNITURE	6,728	6,750	6,773	6,795	6,817	6,840	6,862	6,884	6,907	6,929	6,951	6,974	6.7%	1,253	84
2123.1 OFFICE EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	4,186	
2123.2 COMPANY COM EQUIP	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	1,719	
2124 GEN PURPOSE CMPTR	84,999	85,017	85,035	85,052	85,070	85,088	85,106	85,124	85,142	85,160	85,178	85,196	1.5%	68,171	1,023
2211 ANALOG SW EQUIP	-	-	-	-	-	-	-	-	-	-	-	-	0.0%		
2212 DIGITAL SW EQUIP	7,342,913	7,349,405	7,355,897	7,362,389	7,368,881	7,375,373	7,381,865	7,388,357	7,394,849	7,401,341	7,407,833	7,414,325	9.9%	899,493	89,050
2220 OPERATOR SYSTEMS	41,091	39,737	38,384	37,031	35,678	34,325	32,971	31,618	30,265	28,912	27,558	26,205	15.2%	1,962	298
2231 RADIO SYSTEMS	25,454	25,520	25,586	25,652	25,718	25,784	25,851	25,917	25,983	26,049	26,115	26,181	1.5%	20,998	315
2232 CIRCUIT DDS	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	3,517	
2232 CIRCUIT DIGITAL	6,710,665	6,738,708	6,766,751	6,794,794	6,822,838	6,850,881	6,878,924	6,906,967	6,935,010	6,963,053	6,991,097	7,019,140	7.8%	1,084,182	84,566
2232 CIRCUIT ANALOG	2,137	2,135	2,132	2,130	2,128	2,126	2,124	2,122	2,120	2,118	2,116	2,114	0.1%	25,342	25
2362 OTHER TERM EQUIP	310,560	310,899	311,239	311,579	311,918	312,258	312,598	312,937	313,277	313,617	313,956	314,296	7.4%	51,022	3,776
2411 POLE LINES	190,839	191,314	191,789	192,264	192,740	193,215	193,690	194,166	194,641	195,116	195,591	196,067	6.1%	38,664	2,359
2421 AERIAL CABLE MET	687,866	690,151	692,436	694,721	697,006	699,291	701,576	703,861	706,146	708,431	710,716	713,001	5.9%	145,482	8,583
2421 AERIAL CABLE NON MET	48,704	49,205	49,707	50,208	50,709	51,211	51,712	52,213	52,715	53,216	53,717	54,219	9.6%	6,840	657
2422 UNDGRD CABLE MET	1,223,293	1,226,079	1,228,864	1,231,650	1,234,435	1,237,221	1,240,006	1,242,792	1,245,577	1,248,363	1,251,149	1,253,934	5.3%	284,540	15,081
2422 UNDGRD CABLE NON MET	937,005	939,580	942,156	944,731	947,307	949,882	952,458	955,033	957,609	960,185	962,760	965,336	8.7%	133,505	11,615
2423 BURIED CABLE MET	7,734,326	7,761,681	7,789,036	7,816,392	7,843,747	7,871,103	7,898,458	7,925,813	7,953,169	7,980,524	8,007,880	8,035,235	8.1%	1,194,458	96,751
2423 BURIED CABLE NON MET	90,264	90,922	91,580	92,238	92,896	93,553	94,211	94,869	95,527	96,185	96,842	97,500	6.8%	17,322	1,178
2424 SUB CABLE MET	-	-	-	-	-	-	-	-	-	-	-	-	0.0%	2	
2424 SUB CABLE NON MET	-	-	-	-	-	-	-	-	-	-	-	-	0.0%		
2426 INTRA BLDG CABLE MET	76,668	76,900	77,133	77,366	77,599	77,831	78,064	78,297	78,530	78,762	78,995	79,228	3.0%	31,784	954
2426 INTRA BLDG CABLE NON MET	4,006	4,053	4,100	4,148	4,195	4,242	4,290	4,337	4,384	4,432	4,479	4,526	7.1%	773	55
2431 AERIAL WIRE	65,646	65,891	66,136	66,381	66,626	66,871	67,116	67,361	67,606	67,851	68,096	68,341	10.2%	8,069	823
2441 CONDUIT SYSTEMS	611,336	613,146	614,955	616,764	618,574	620,383	622,192	624,002	625,811	627,620	629,430	631,239	2.3%	330,286	7,597
Monthly Total	27,054,564	27,131,499	27,208,435	27,285,372	27,362,311	27,439,248	27,516,185	27,593,123	27,670,061	27,746,998	27,823,935	27,900,873		4,600,344	335,734
Annual Total Using a Monthly "Spread"	329,733														

Annual Total on 12/31/03 Investment 335,734

EOP Depreciation Adjustment 6,001

QWEST CORPORATION
Arizona Intrastate Investment
Includes Brosch Adjustments and SXS, X-bar and Analog Depn Reserve

Class of Plant	Dec 31, 2002	Jan 31, 2003	Feb 28, 2003	Mar 31, 2003	Apr 30, 2003	May 31, 2003	Jun 30, 2003	Jul 31, 2003	Aug 31, 2003	Sep 30, 2003	Oct 31, 2003	Nov 30, 2003	Dec 31, 2003
2112 MOTOR VEHICLES	50,970	50,889	50,809	50,728	50,647	50,567	50,486	50,405	50,325	50,244	50,163	50,083	50,002
2114 SPEC PURPOSE VEHICLES	18	18	18	18	18	18	18	18	18	18	18	18	18
2115 GARAGE WORK EQUIP	1,051	1,053	1,055	1,057	1,059	1,061	1,063	1,065	1,067	1,069	1,071	1,073	1,075
2116 OTHER WORK EQUIP	24,179	24,424	24,670	24,915	25,161	25,406	25,652	25,897	26,142	26,388	26,633	26,879	27,124
2121 BUILDINGS	155,276	156,383	157,489	158,596	159,702	160,809	161,915	163,022	164,129	165,235	166,342	167,448	168,555
2122 FURNITURE	1,205	1,209	1,213	1,217	1,221	1,225	1,229	1,233	1,237	1,241	1,245	1,249	1,253
2123.1 OFFICE EQUIPMENT	4,167	4,169	4,170	4,172	4,173	4,175	4,176	4,178	4,180	4,181	4,183	4,184	4,186
2123.2 COMPANY COM EQUIP	1,491	1,510	1,529	1,548	1,567	1,586	1,605	1,624	1,643	1,662	1,681	1,700	1,719
2124 GEN PURPOSE CMPTR	67,999	68,013	68,028	68,042	68,056	68,071	68,085	68,099	68,114	68,128	68,142	68,157	68,171
2211 ANALOG SW EQUIP													
2212 DIGITAL SW EQUIP	890,050	890,837	891,624	892,411	893,198	893,985	894,772	895,558	896,345	897,132	897,919	898,706	899,493
2220 OPERATOR SYSTEMS	3,244	3,137	3,030	2,924	2,817	2,710	2,603	2,496	2,389	2,283	2,176	2,069	1,962
2231 RADIO SYSTEMS	20,363	20,416	20,469	20,522	20,575	20,628	20,681	20,733	20,786	20,839	20,892	20,945	20,998
2232 CIRCUIT DDS	3,843	3,816	3,789	3,761	3,734	3,707	3,680	3,653	3,626	3,598	3,571	3,544	3,517
2232 CIRCUIT DIGITAL	1,032,410	1,036,724	1,041,039	1,045,353	1,049,667	1,053,982	1,058,296	1,062,610	1,066,925	1,071,239	1,075,553	1,079,868	1,084,182
2232 CIRCUIT ANALOG	25,639	25,614	25,590	25,565	25,540	25,515	25,491	25,466	25,441	25,416	25,392	25,367	25,342
2362 OTHER TERM EQUIP	50,361	50,416	50,471	50,526	50,581	50,636	50,691	50,747	50,802	50,857	50,912	50,967	51,022
2411 POLE LINES	37,542	37,636	37,729	37,823	37,916	38,010	38,103	38,197	38,290	38,384	38,477	38,571	38,664
2421 AERIAL CABLE MET	139,905	140,370	140,835	141,299	141,764	142,229	142,694	143,158	143,623	144,088	144,553	145,017	145,482
2421 AERIAL CABLE NON MET	6,088	6,151	6,213	6,276	6,339	6,401	6,464	6,527	6,589	6,652	6,715	6,777	6,840
2422 UNDGRD CABLE MET	276,972	277,603	278,233	278,864	279,495	280,125	280,756	281,387	282,018	282,648	283,279	283,910	284,540
2422 UNDGRD CABLE NON MET	129,242	129,597	129,953	130,308	130,663	131,018	131,374	131,729	132,084	132,439	132,795	133,150	133,505
2423 BURIED CABLE MET	1,145,826	1,149,879	1,153,931	1,157,984	1,162,037	1,166,089	1,170,142	1,174,195	1,178,247	1,182,300	1,186,353	1,190,405	1,194,458
2423 BURIED CABLE NON MET	15,929	16,045	16,161	16,277	16,393	16,509	16,625	16,742	16,858	16,974	17,090	17,206	17,322
2424 SUB CABLE MET	2	2	2	2	2	2	2	2	2	2	2	2	2
2424 SUB CABLE NON MET													
2426 INTRA BLDG CABLE MET	30,667	30,760	30,853	30,946	31,039	31,133	31,226	31,319	31,412	31,505	31,598	31,691	31,784
2426 INTRA BLDG CABLE NON MET	677	685	693	701	709	717	725	733	741	749	757	765	773
2431 AERIAL WIRE	7,723	7,752	7,781	7,809	7,838	7,867	7,896	7,925	7,954	7,982	8,011	8,040	8,069
2441 CONDUIT SYSTEMS	318,958	319,902	320,846	321,790	322,734	323,678	324,622	325,566	326,510	327,454	328,398	329,342	330,286
Total	4,441,797	4,455,009	4,468,222	4,481,434	4,494,646	4,507,858	4,521,071	4,534,283	4,547,495	4,560,708	4,573,920	4,587,132	4,600,344

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Ratemaking Adjustments

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-01

Arizona Corporation Commission
Docket No.
Title: Directory Revenue Imputation
Time: 8:20 AM
Date: 5/14/2004
Adj. # PFR-01

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Directory Revenue Imputation

Test Year Ending December 31, 2003

$(000)

Operating Revenues	72,000
Operating Expenses	0
Total Operating Income Taxes	28,249
Net Operating Income	43,751
Rate Base	0
Revenue Requirement	(73,836)

This adjustment imputes $72 million of Directory revenue in accordance with the settlement agreement.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 8:20 AM
PFR-01

		Directory Revenue Imputation
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	72,000
5	Total Oper. Rev. (L1 thru L4)	72,000
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	72,000
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	23,558
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	4,690
26	**Net Operating Income (L23-L24-L25)**	43,751
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	43,751
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	43,751
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Directory Imputation

Line #	Description	Source	Amount
Net Operating Income			
1	Directory Revenue Imputation	Order	72,000,000

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-02

Arizona Corporation Commission
Docket No.
Title: Fines and Penalties
Time: 8:21 AM
Date: 5/14/2004
Adj. # PFR-02

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Fines and Penalties

Test Year Ending December 31, 2003

$(000)

Operating Revenues	1,363
Operating Expenses	0
Total Operating Income Taxes	535
Net Operating Income	828
Rate Base	0
Revenue Requirement	(1,398)

This adjustment adds the costs of service quality penalties imposed by the ACC back to results of operations.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 8:21 AM
PFR-02

		Fines and Penalties
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	1,363
5	Total Oper. Rev. (L1 thru L4)	1,363
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	1,363
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	446
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	89
26	**Net Operating Income (L23-L24-L25)**	828
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	828
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	828
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

ARIZONA SERVICE QUALITY FINANCIAL IMPACT

Year	Month	Cellular Vouchers	ATS Repair Credit	Missed Repair Credits (Res)	Missed Repair Credits (Bus)	Missed Repair Credits (Res + Bus)	Voice Mail Credits (Res)	Voice Mail Credits (Bus)	Voice Mail Credits (Res + Bus)	Remote Call Forwarding Credits (Res)	Remote Call Forwarding Credits (Bus)	Remote Call Forwarding Credits (Res + Bus)
2003	January	$1,394.00	$2,027.00	$65.00	$15.00	$80.00	$123.00	$1,415.00	$1,538.00	$399.00	$437.00	$836.00
	February	$732.00	$3,806.00	$102.00	$26.00	$128.00	$97.00	$1,186.00	$1,283.00	$361.00	$459.00	$820.00
	March	$158.00	$2,751.00	$51.00	$13.00	$64.00	$97.00	$1,481.00	$1,578.00	$342.00	$718.00	$1,060.00
	April	$0.00	$1,960.00	$93.00	$35.00	$128.00	$123.00	$1,689.00	$1,812.00	$855.00	$60.00	$915.00
	May	$211.00	$1,813.00	$40.00	$8.00	$48.00	$97.00	$511.00	$608.00	$342.00	$808.00	$1,150.00
	June	$0.00	$1,529.00	$99.00	$20.00	$119.00	$97.00	$268.00	$365.00	$361.00	$380.00	$741.00
	July	$278.00	$3,049.00	$57.00	$26.00	$83.00	$97.00	$58.00	$155.00	$323.00	$342.00	$665.00
	August	$0.00	$2,653.00	$23.00	$9.00	$32.00	$97.00	$26.00	$123.00	$323.00	$323.00	$646.00
	September	$68.00	$2,908.00	$73.00	$26.00	$99.00	$97.00	$46.00	$143.00	$266.00	$304.00	$570.00
	October	$71.00	$2,817.00	$40.00	$27.00	$67.00	$97.00	$26.00	$123.00	$266.00	$285.00	$551.00
	November	$312.00	$3,429.00	$38.00	$26.00	$64.00	$97.00	$26.00	$123.00	$266.00	$285.00	$551.00
	December	$405.00	$2,240.00	$19.00	$11.00	$30.00	$83.00	$26.00	$109.00	$133.00	$266.00	$399.00
	YTD 2003	**$3,629.00**	**$30,982.00**	**$700.00**	**$242.00**	**$942.00**	**$1,202.00**	**$6,758.00**	**$7,960.00**	**$4,237.00**	**$4,667.00**	**$8,904.00**

ARIZONA SERVICE QUALITY FINANCIAL IMPACT

Year	Month	Held Order Credits (Res)	Held Order Credits (Bus)	Held Order Credits (Res + Bus)	Missed Installation Appointment (Res)	Missed Installation Appointment (Bus)	Missed Installation Appointment (Res + Bus)	Out-of-Service Adjustment (Res)	Out-of-Service Adjustment (Bus)	Out-of-Service Adjustment (Res + Bus)	Monthly Total
2003	January	$73,826.00	$17,713.00	$91,539.00	$14,368.00	$6,402.00	$20,770.00	$20,505.00	$4,250.00	$24,755.00	$142,939.00
	February	$60,017.00	$15,419.00	$75,436.00	$14,044.00	$7,469.00	$21,513.00	$79,926.00	$14,928.00	$94,854.00	$198,572.00
	March	$50,108.00	$13,094.00	$63,202.00	$12,220.00	$6,058.00	$18,278.00	$24,712.00	$4,479.00	$29,191.00	$116,282.00
	April	$46,712.00	$17,322.00	$64,034.00	$12,467.00	$6,495.00	$18,962.00	$13,927.00	$2,731.00	$16,658.00	$104,469.00
	May	$38,856.00	$8,317.00	$47,173.00	$9,880.00	$4,750.00	$14,630.00	$14,441.00	$2,447.00	$16,888.00	$82,521.00
	June	$30,291.00	$6,194.00	$36,485.00	$9,261.00	$4,693.00	$13,954.00	$14,063.00	$3,021.00	$17,084.00	$70,277.00
	July	$25,386.00	$11,480.00	$36,866.00	$8,132.00	$4,823.00	$12,955.00	$20,112.00	$3,344.00	$23,456.00	$77,507.00
	August	$24,709.00	$9,826.00	$34,535.00	$9,520.00	$5,048.00	$14,568.00	$39,847.00	$7,846.00	$47,693.00	$100,250.00
	September	$26,902.00	$9,492.00	$36,394.00	$11,697.00	$5,583.00	$17,280.00	$27,809.00	$4,557.00	$32,366.00	$89,828.00
	October	$16,498.00	$10,888.00	$27,386.00	$10,040.00	$5,637.00	$15,677.00	$24,083.00	$7,556.00	$31,639.00	$78,331.00
	November	$15,100.00	$10,308.00	$25,408.00	$10,704.00	$6,096.00	$16,800.00	$36,715.00	$9,683.00	$46,398.00	$93,085.00
	December	$14,140.00	$7,912.00	$22,052.00	$9,964.00	$5,830.00	$15,794.00	$12,704.00	$2,410.00	$15,114.00	$56,143.00
	YTD 2003	**$422,545.00**	**$137,965.00**	**$560,510.00**	**$132,297.00**	**$68,884.00**	**$201,181.00**	**$328,844.00**	**$67,252.00**	**$396,096.00**	**$1,210,204.00**

Qwest Corporation
Service Quality Tariff Report
Section 2.6

ARIZONA SERVICE QUALITY PENALTY CALCULATION
For 4th Quarter 2003

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Number of Days	31	28	31	30	31	30	31	31	30	31	30	31
Access to Repair and Business Offices												
Residence - Business Office Access												
Calls in <20 sec	2,005,036	1,928,107	2,066,473	2,054,438	1,829,347	1,629,213	1,849,376	1,671,746	1,440,873	2,061,844	1,612,737	1,652,437
Calls - Total Offered	2,672,637	2,302,297	2,499,667	2,495,465	2,543,164	2,598,517	2,745,408	2,655,060	2,597,134	2,612,162	2,238,820	2,585,713
% in < 20 Sec.	75.02%	83.75%	82.67%	82.33%	71.93%	70.39%	67.36%	62.96%	55.48%	78.93%	72.04%	63.91%
Penalties/(Offsets) per day	0	0	0	0	0	0	1,000	1,000	2,000	0	0	1,000
Total Penalties/(Offsets) per month	0	0	0	0	0	0	31,000	31,000	60,000	0	0	31,000
Total Residence Access Penalties YTD	0	0	0	0	0	0	31,000	62,000	122,000	122,000	122,000	153,000
Business - Business Office Access												
Calls in <20 sec	43,421	36,109	34,719	38,949	37,263	37,733	42,136	36,994	34,881	34,556	24,249	22,774
Calls - Total Offered	49,267	42,221	45,323	44,904	42,890	43,365	47,199	42,650	40,741	39,804	29,294	38,908
% in < 20 Sec.	88.13%	85.52%	76.60%	86.74%	87.29%	87.01%	89.27%	86.74%	85.62%	86.82%	82.78%	58.53%
Penalties/(Offsets) per day	(4,000)	(4,000)	0	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	0	1,000
Total Penalties/(Offsets) per month	(124,000)	(112,000)	0	(120,000)	(124,000)	(120,000)	(124,000)	(124,000)	(120,000)	(124,000)	0	31,000
Total SBG Access Penalties YTD	0	0	0	0	0	0	0	0	0	0	0	0
Repair Business and Residence												
Calls in <20 sec	402,243	394,969	447,315	430,454	442,857	449,439	497,296	481,790	463,223	435,737	397,500	382,627
Calls - Total Offered	481,877	470,777	524,058	495,740	522,838	548,847	608,569	579,627	537,131	519,212	480,265	445,380
% in < 20 Sec.	83.51%	83.90%	85.36%	86.92%	84.70%	81.89%	81.72%	83.14%	86.24%	83.92%	82.77%	85.91%
Penalties/(Offsets) per day	0	0	(4,000)	(4,000)	0	0	0	0	(4,000)	0	0	(4,000)
Total Penalties/(Offsets) per month	0	0	(124,000)	(120,000)	0	0	0	0	(120,000)	0	0	(124,000)
Total Repair Access Penalties YTD	0	0	0	0	0	0	0	0	0	0	0	0
Held Orders												
Held Orders	13	18	14	7	3	9	13	12	12	15	13	9
Access Lines	2453412	2,443,210	2427673	2396540	2,373,174	2,348,139	2326425	2,296,183	2,267,499	2,233,216	2,194,798	2,168,217
% Held Orders of Access Lines	0.0005%	0.0007%	0.0006%	0.0003%	0.0001%	0.0003%	0.0006%	0.0005%	0.0005%	0.0007%	0.0006%	0.0004%
Penalties/(Offsets) per day	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Total Penalties/(Offsets) per month	(124,000)	(112,000)	(124,000)	(120,000)	(124,000)	(120,000)	(124,000)	(124,000)	(120,000)	(124,000)	(120,000)	(124,000)
Total Held Order Penalties YTD	0	0	0	0	0	0	0	0	0	0	0	0
Out of Service Repair Times												
Out of Service < 24 hours	20,634	19,274	21,896	19,575	20,108	20,777	27,968	29,445	24,174	23,202	19,919	17,324
Total Out of Service	23,799	30,206	25,596	20,854	21,675	22,238	30,745	37,858	28,311	25,574	26,093	19,103
% Out of Service < 24 hrs	86.70%	63.80%	85.54%	93.87%	92.77%	93.43%	90.97%	78.19%	85.39%	90.72%	76.34%	90.69%
Penalties/(Offsets) per day	(1,000)	2,000	(1,000)	(2,000)	(2,000)	(2,000)	(2,000)	1,000	(1,000)	(2,000)	1,000	(2,000)
Total Penalties/(Offsets) per month	(31,000)	56,000	(31,000)	(60,000)	(62,000)	(60,000)	(62,000)	31,000	(30,000)	(62,000)	30,000	(62,000)
Total Out of Service Penalties YTD	0	25,000	0	0	0	0	0	0	0	0	0	0
Total Service Quality Penalties YTD	0	25,000	0	0	0	0	31,000	62,000	122,000	122,000	122,000	153,000

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-03

Arizona Corporation Commission
Docket No.
Title: Interest Synchronization
Time: 8:37 AM
Date: 5/17/2004
Adj. # PFR-03

Qwest Corporation

Arizona Intrastate Operations
Commission Adjustment

Interest Synchronization

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	0
Total Operating Income Taxes	(10,955)
Net Operating Income	10,955
Rate Base	0
Revenue Requirement	(18,487)

This adjustment imputes additional interest expense net of income tax to match the company's proposed capital structure.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/17/2004
Time: 8:37 AM
PFR-03

		Interest Synchronization
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	0
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(9,136)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(1,819)
26	**Net Operating Income (L23-L24-L25)**	10,955
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	10,955
30	Interest Expense	27,921
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(16,967)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003

Interest Synchronization

Line #	Description	Source	Amount
1	Intrasate Booked Interest	Op Results	68,955,047
2	FCC Deregulated Services	Dereg Report	1,290,443
3	FCC Deregulated Payphone & Wireless	Payphone Report	302,005
4	Removal of Merger Cost Adjustment	Merger Adj	(15,839)
5	Customer Deposits Adjustment	Cust Dep Adj	(142,472)
6	Intrastate Booked Interest	L1+L2-L3+L4+L5	69,785,174
7	Commission Adjusted Rate Base (Test Year Summary)	Adj Test Year	1,663,004,803
8	Weighted Cost of Debit	Cost of Cap	5.88%
9	Adjusted Interest Expense	L7xL8	97,706,343
10	**Adjustment to Synchronize Interest**	**L9-L6**	**27,921,168**
11	Effective Federal Income Tax Rate	Records	32.72%
12	**Federal Income Tax Expense**	**-(L10xL11)**	**(9,135,834)**
13	Effective State Income Tax Rate	Records	6.51%
14	**State Income Tax Expense**	**-(L10xL13)**	**(1,818,813)**
15	Total Tax	L14+L12	(10,954,647)

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-04

Arizona Corporation Commission
Docket No.
Title: Cash Working Capital
Time: 8:23 AM
Date: 5/14/2004
Adj. # PFR-04

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Cash Working Capital

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	0
Total Operating Income Taxes	0
Net Operating Income	0
Rate Base	(32,169)
Revenue Requirement	(6,070)

This adjustment removes the impact of an accrued liability for franchise taxes collected for TRS.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 8:23 AM
PFR-04

		Cash Working Capital
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	0
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	0
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	0
26	**Net Operating Income (L23-L24-L25)**	0
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	0
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	0
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	(32,169)
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	(32,169)

QWEST CORPORATION
Arizona Intrastate Operations
Computation of Intrastate Cash Working Capital Requirement

Amounts are 2003YTD and in thousands	Amount A	Avg Daily Amount B=A/365	Source C	Lag D	CWC E=B*D
Operating Revenues					
1 Local Service Revenue	842,673	2,308.7	Worksheet 1	20.2	46,636
2 Network Access Service Revenue	72,786	199.4	Worksheet 2	45.2	9,014
3 Long Distance Network Service Revenue	11,163	30.6	Worksheet 3	46.7	1,428
4 Billing and Collecting Revenue	5,330	14.6	Worksheet 4	45.2	660
5 Miscellaneous Revenue (Excluding Interarea Compensation)	97,735	267.8	Worksheet 5	23.2	6,212
6 TOTAL OPERATING REVENUES (L1..L5)	1,029,687	2,821.1	COMPOSITE REVENUE	22.7	63,950
Cost of Services and Products					
7 Maintenance Expense	201,587	552.3	Worksheet 6	22.9	(12,647)
8 Engineering Expense	8,836	24.2	Worksheet 7	25.4	(615)
9 Network Operations Expense	46,464	127.3	Worksheet 8	21.9	(2,788)
10 Network Administration Expense	1,417	3.9	Worksheet 9	22.5	(87)
11 Access Expense	9,041	24.8	Worksheet 10	54.7	(1,355)
12 Other Expense	390	1.1	Worksheet 11	15.6	(17)
Other Operating Expense					
13 Customer Operations Expense	164,981	452.0	Worksheet 12	26.7	(12,068)
14 Corporate Operations Expense	179,839	492.7	Worksheet 13	34.8	(17,146)
15 Property Taxes	63,033	172.7	Worksheet 14	202.6	(34,988)
16 Other Taxes (Excluding Income Taxes)	3,382	9.3	Worksheet 15	(183.9)	1,704
17 Uncollectibles	18,119	49.6	Worksheet 16	22.7	(1,125)
Operating Income Taxes					
18 Current Federal Income Tax	(29,416)	(80.6)	Worksheet 17	36.0	2,901
19 Current State Income Tax	(6,835)	(18.7)	Worksheet 18	61.1	1,144
20 TOTAL OPERATING EXPENSES (L7..L19)	660,838	1,810.5			(77,087)
Miscellaneous Deductions or Additions					
21 Interest Expense	68,946	188.9	Worksheet 19	88.9	(16,793)
22 Federal Excise Taxes	22,321	61.2	Worksheet 20	(1.8)	110
23 Flow-Through Taxes	99,315	272.1	Worksheet 21	0.3	(82)
24 Other Accrued Liabilities			Worksheet 28		(2,267)
25 TOTAL MISCELLANEOUS (L21..L24)	190,583				(19,031)
26 TOTAL CASH WORKING CAPITAL REQUIREMENT (L6+L20+L25)					**(32,169)**

QWEST CORPORATION
Arizona Intrastate Operations
Computation of Intrastate Cash Working Capital Requirement

Amounts are 2003 YTD and in thousands	Amount A	Avg Daily Amount B=A/365	Source C	Net Lag D	CWC E=B*D
Cost of Services and Products					
1 Maintenance Expense	201,587	552.3	Worksheet 6	(0.2)	(128)
2 Engineering Expense	8,836	24.2	Worksheet 7	(2.7)	(66)
3 Network Operations Expense	46,464	127.3	Worksheet 8	0.8	98
4 Network Administration Expense	1,417	3.9	Worksheet 9	0.2	1
5 Access Expense	9,041	24.8	Worksheet 10	(32.0)	(793)
6 Other Expense	390	1.1	Worksheet 11	7.1	8
Other Operating Expense					
7 Customer Operations Expense	164,981	452.0	Worksheet 12	(4.0)	(1,822)
8 Corporate Operations Expense	179,839	492.7	Worksheet 13	(12.1)	(5,977)
9 Property Taxes	63,033	172.7	Worksheet 14	(179.9)	(31,073)
10 Other Taxes (Excluding Income Taxes)	3,382	9.3	Worksheet 15	206.6	1,914
11 Uncollectibles	18,119	49.6	Worksheet 16	0.0	0
Operating Income Taxes					
12 Current Federal Income Tax	(29,416)	(80.6)	Worksheet 17	(13.3)	1,074
13 Current State Income Tax	(6,835)	(18.7)	Worksheet 18	(38.4)	720
14 TOTAL OPERATING EXPENSES (L1..L13)	660,838	1,810.5			(36,045)
Miscellaneous Deductions or Additions					
15 Federal Excise Taxes	22,321	61.2	Worksheet 20	1.8	110
16 Flow-Through Taxes	99,315	272.1	Worksheet 21	(0.3)	(82)
17 Other Accrued Liabilities	0		Worksheet 28		(2,267)
18 CASH WORKING CAPITAL FROM OPERATIONS (L14..L17)	782,475				(38,284)
Revenues Lags Not Recognized in the Netting Method					
19 Interest Expense	68,946	188.9	Worksheet 19	(66.2)	(12,511)
20 Depreciation	456,207	1,249.9	Composite Revenue	22.7	28,333
21 Deferred Taxes and ITC Amortization	(44,186)	(121.1)	Composite Revenue	22.7	(2,744)
22 Net Income (P1,L6-L14-L19-L20-L21)	(112,120)	(307.2)	Composite Revenue	22.7	(6,963)
23 TOTAL NON-CASH ITEMS (L19..L22)					6,115
24 TOTAL CASH WORKING CAPITAL REQUIREMENT (L18+L23)					**(32,169)**

QWEST CORPORATION
Arizona Intrastate Operations
Computation of Intrastate Cash Working Capital Requirement

Reconciliation of Form 1990 Net Income to Page 2 Net Income **PAGE 3**

Page 2 Net Income	(112,120)		
Inter-Area Compensation (See right*)	(16,111)	*Interarea Compensation - Intrastate	(16,111,002)
Less:			
Line 28 Nonoperating Income & Expenses	62,533		
Line 29 Nonoperating Income Tax	(5,214)		
Line 30 JD & Nonreg Net Income	0		
Line 18 Other Operating Income & Expense	(33)	*Interarea Compensation - Interstate	
Line 20 Universal Service Fund	0	(13,041)	removal of Universal Service Fund
Line 21 Link Up America	(2)	4,564	
Line 31 Extraordinary Items	(22)	8,477	
Calculated 1990 Net Income	(185,493)		
Form 1990 Net Income	(185,493)		
Difference	0		

Intra/Inter Split of Federal Excise Tax

Total Arizona Federal Excise Tax (Tax Department) 28,306,757 Section 20 -Taxes Billed to Customers in 1998 Worksheet

	Intrastate	Interstate	Total
Total Local=JR4B, Sheet 2, Line 55	842,673,206	0	842,673,206
Toll= JR4D, Sheet 3, Lines 23 & 24	11,163,067	(3,086)	11,159,981
Total Calc=Account 5081 JR4C, Sheet 1, Line 7	0	228,980,947	228,980,947
Total	853,836,273	228,977,861	1,082,814,134
Intra/Inter Percentages	0.788534	0.211466	
Intra/Inter Federal Excise Tax	22,320,854	5,985,903	

Flow Through Taxes from Form M

Sales	81,816,119	Section 20 -Taxes Billed to Customers in 1998 Worksheet
911	10,674,449	Section 20 -Taxes Billed to Customers in 1998 Worksheet
TRS	6,824,648	Section 20 -Taxes Billed to Customers in 1998 Worksheet
Total	99,315,216	

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 1
Local Service Revenue
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1	Public Telephone	JR4B, Sheet 1, Line 63	0	Section 1B	47.4	0
2	Non Coin Local Telephone	JR4B, Sheet 2, Line 55 - Sheet 1, Line 63	842,673,206	Section 1C	20.2	17,021,998,761
3						0
4						0
5						0
6						0
7						0
8						0
9						0
10						0
11						0
12						0
13						0
14						0
15	**Total Composite Lag (Local Service Revenue Lag)**		842,673,206		**20.2**	17,021,998,761

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis - Revenue Collection (CRIS)

Worksheet 1
Section WS1A1
State: Arizona

Study Period: September, October, November 2001

Item No.	Description A	April B	May C	June D	Total E=B+C+D	Lag F
1	Daily Ending Balance	5,266,952,779	5,314,552,522	5,189,689,961	15,771,195,261	
2	Deposits	167,343,386	178,870,536	159,544,666	505,758,588	
3	Lag (Billing Date to Date Collection Deposited) (Line 1/Line2)					31.2
4	Lag (End of Service Period to Date Billed) See WS1A2					1.4
5	Lag (Date of Deposit to Date Available for Expenditure, Deposit Lag) See WS23A1					0.8
6	**Total Billed Revenue Collection Lag** (Line 3 + Line 4 + Line 5)					**33.4**

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis- CRIS Summary

Worksheet 1
Section WS1A1A
State: Arizona

Study Period: September, October, November 2001

	September		October		November	
Date	Accounts Receivable	Cash	Accounts Receivable	Cash	Accounts Receivable	Cash
1	171,087,046.93	0.00	171,233,650.16	8,890,418.87	167,954,477.29	6,810,314.20
2	171,087,046.93	0.00	167,412,237.75	10,096,009.58	167,954,477.29	0.00
3	171,087,046.93	12,984,015.47	171,677,230.16	7,383,063.44	167,954,477.29	0.00
4	170,790,245.99	10,872,140.99	175,001,819.07	7,610,427.29	166,463,146.86	12,401,563.30
5	173,042,796.21	8,581,452.95	175,001,819.07	0.00	167,455,529.06	9,411,485.06
6	173,306,826.53	7,104,827.25	175,001,819.07	0.00	167,145,626.53	7,081,304.98
7	173,306,826.53	0.00	171,794,130.49	10,837,206.94	167,109,974.64	7,045,608.61
8	173,306,826.53	0.00	170,155,950.61	8,657,440.75	167,997,515.14	6,882,995.54
9	169,454,392.51	11,551,976.17	171,610,032.11	6,355,662.24	167,997,515.14	0.00
10	168,017,533.46	8,897,077.52	164,410,019.12	6,592,782.70	167,997,515.14	0.00
11	170,256,258.47	6,274,889.48	167,701,467.69	5,593,929.02	165,797,818.12	10,385,042.20
12	173,674,135.87	6,179,890.47	167,701,467.69	0.00	171,470,023.74	3,559,110.36
13	174,321,796.75	6,357,079.18	167,701,467.69	0.00	171,057,909.77	8,241,146.08
14	174,321,796.75	0.00	165,413,640.84	11,727,808.25	163,695,290.96	6,850,883.00
15	174,321,796.75	0.00	169,061,576.56	3,515,592.00	168,018,753.74	6,577,964.40
16	173,920,176.78	11,324,496.90	170,868,386.05	8,783,135.32	168,018,753.74	0.00
17	173,818,788.81	7,833,155.17	171,763,418.58	6,708,484.67	168,018,753.74	0.00
18	175,893,260.13	6,021,961.46	171,820,073.29	7,734,460.64	163,359,123.24	12,356,834.45
19	178,638,426.16	6,583,879.08	171,820,073.29	0.00	163,150,355.24	8,042,432.90
20	181,533,703.10	6,244,771.40	171,820,073.29	0.00	165,725,792.49	6,800,063.05
21	181,533,703.10	0.00	169,424,958.11	11,436,253.08	168,639,244.55	6,403,079.99
22	181,533,703.10	0.00	170,727,871.89	7,780,856.97	168,981,790.33	6,103,066.96
23	176,200,231.95	11,825,752.25	170,492,961.08	6,674,000.31	168,981,790.33	0.00
24	176,486,360.50	7,722,549.35	172,093,410.33	5,865,637.64	168,981,790.33	0.00
25	179,353,102.03	6,538,306.69	174,763,374.67	5,999,910.45	164,840,593.57	12,300,997.71
26	182,350,619.37	6,057,167.19	174,763,374.67	0.00	165,799,049.93	7,561,578.93
27	184,005,317.80	7,095,550.45	174,763,374.67	0.00	166,786,937.18	7,922,288.69
28	184,005,317.80	0.00	173,558,679.29	10,197,277.59	166,786,937.18	0.00
29	184,005,317.80	0.00	174,393,241.68	7,484,911.09	168,516,332.66	6,806,905.41
30	172,292,377.31	11,292,446.36	175,430,601.97	7,068,969.66	168,516,332.66	0.00
31			175,170,320.56	5,876,297.89	168,516,332.66	0.00
	5,266,952,778.88	167,343,385.78	5,314,552,521.50	178,870,536.39	5,189,689,960.54	159,544,665.82

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis- Average Lag Days
(Service Period to CRIS Billing Extraction Date)

Worksheet 1
Section WS1A2
Accounting Center: Arizona/New Mexico

Study Period: September, October, November 2002

Line No. A	April Bill Period B	Bill Period End Date C	Customer Bill Extraction Date D	No. of Elapsed Days E=D-C	May Bill Period F	Bill Period End Date G	Customer Bill Extraction Date H	No. of Elapsed Days I=H-G	June Bill Period J	Bill Period End Date K	Customer Bill Extraction Date L	No. of Elapsed Days M=L-K
1	01A	03-Sep-02	04-Sep-02	1	01A	02-Oct-02	03-Oct-02	1	01A	01-Nov-02	04-Nov-02	3
2	01B	04-Sep-02	05-Sep-02	1	01B	03-Oct-02	04-Oct-02	1	01B	04-Nov-02	05-Nov-02	1
3	04A	05-Sep-02	06-Sep-02	1	04A	04-Oct-02	07-Oct-02	3	04A	05-Nov-02	06-Nov-02	1
4	04B	06-Sep-02	09-Sep-02	3	04B	07-Oct-02	08-Oct-02	1	04B	06-Nov-02	07-Nov-02	1
5	07A	09-Sep-02	10-Sep-02	1	07A	08-Oct-02	09-Oct-02	1	07A	07-Nov-02	08-Nov-02	1
6	07B	10-Sep-02	11-Sep-02	1	07B	10-Oct-02	11-Oct-02	1	07B	08-Nov-02	11-Nov-02	3
7	10A	11-Sep-02	12-Sep-02	1	10A	11-Oct-02	14-Oct-02	3	10A	11-Nov-02	12-Nov-02	1
8	10B	12-Sep-02	13-Sep-02	1	10B	14-Oct-02	15-Oct-02	1	10B	12-Nov-02	13-Nov-02	1
9	13A	13-Sep-02	16-Sep-02	3	13A	15-Oct-02	16-Oct-02	1	13A	14-Nov-02	15-Nov-02	1
10	13B	16-Sep-02	17-Sep-02	1	13B	16-Oct-02	17-Oct-02	1	13B	15-Nov-02	18-Nov-02	3
11	16A	17-Sep-02	18-Sep-02	1	16A	17-Oct-02	18-Oct-02	1	16A	18-Nov-02	19-Nov-02	1
12	16B	18-Sep-02	19-Sep-02	1	16B	18-Oct-02	21-Oct-02	3	16B	19-Nov-02	20-Nov-02	1
13	19A	19-Sep-02	20-Sep-02	1	19A	21-Oct-02	22-Oct-02	1	19A	20-Nov-02	21-Nov-02	1
14	19B	20-Sep-02	23-Sep-02	3	19B	22-Oct-02	23-Oct-02	1	19B	21-Nov-02	22-Nov-02	1
15	22A	23-Sep-02	24-Sep-02	1	22A	23-Oct-02	24-Oct-02	1	22A	22-Nov-02	25-Nov-02	3
16	22B	24-Sep-02	25-Sep-02	1	22B	24-Oct-02	25-Oct-02	1	22B	25-Nov-02	26-Nov-02	1
17	25A	26-Aug-02	27-Aug-02	1	25A	25-Sep-02	26-Sep-02	1	25A	25-Oct-02	28-Oct-02	3
18	25B	27-Aug-02	28-Aug-02	1	25B	26-Sep-02	27-Sep-02	1	25B	28-Oct-02	29-Oct-02	1
19	28A	28-Aug-02	29-Aug-02	1	28A	30-Sep-02	01-Oct-02	1	28A	29-Oct-02	30-Oct-02	1
20	28B	29-Aug-02	30-Aug-02	1	28B	28-May-98	02-Jun-98	5	28B	30-Oct-02	31-Oct-02	1

Month	# of Billing Cycles	# of Days Elapsed
April	20	26
May	20	30
June	20	30
TOTAL	60	86
Service Period/Date Billed Lag **		**1.4**

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis

Worksheet 1
Section WS1B1
State: Arizona

Study Period: April, May, June, 1995 for days in coin box
Study Period: November, 1998 for days from collection to deposit
Type of Item: Public Telephone

Item No.	Description A	April B	May C	June D	Total E=B+C+D	Lag F
1	Amount Collected	1,842,099	1,849,112	1,855,691	5,546,902	
2	Dollar Days (Per Lag Study)	163,212,624	163,866,478	165,280,255	492,359,357	
3	Average Collection Interval (Line 2E/Line1E)					88.8
4	Average Days Amounts Remain in Coin Box (Line 3F/2)					44.4
5	Average Days from Collection to Deposit in Bank					3.0
6	**Average Number of Days Between Time Coin is Placed in Coin Box and Coin is Deposited in Bank** (Line 4 + Line 5)					**47.4**

Source: Line 5 - Claudia Doyle (303)-896-3210

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis

Worksheet 1
Section WS1C1
State: Arizona

Study Period: 2003

Type of Item: Billed Revenue Collection (CRIS)

Item No. A	Description B	Amount C	Collection Lag D	Service Lag E	Total Lag Days F=D+E	Dollar Days G=C*F
1.	Local Service Revenues (Accounts 5000, 5040, 5050, 5060)					
1a.	Advance	788,477,214	33.4	(15.2)	18.2	14,350,285,286
1b.	Arrears	54,195,999	33.4	15.2	48.6	2,633,925,554
2.	Total Local Service (Line 1a + 1b)	842,673,213				16,984,210,840
3.	**Lag (Line 2G / Line 2C)**				**20.2**	

Source: CWCLS98
Source: Collection Lag, WS1A1, Line 6
Source: Service Lag, M318, Part 2.0602

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 2
Network Access Service Revenues
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Carrier Access	JR4, Sheet 1, Line 14	72,786,041	Section 2A	45.2	3,289,929,053
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Network Access Service Revenue)**		72,786,041		**45.2**	3,289,929,053

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis

Worksheet 2
Section WS2A1
State: Arizona

Study Period: 2003

Type of Item: Billed Revenue Collection (IABS)

Item No. A	Description B	Amount C	Collection Lag D	Service Lag E	Total Lag Days F=D+E	Dollar Days G=C*F
1.	Intra Access Revenues (Account 5084)					
1a.	Advance (Account 5084.31) (JR4C, Sheet 1, Line 24	36,655,100	45.3	(15.2)	30.1	1,103,318,510
1b.	Arrears (JR4C, Sheet 1, Line 32 - Line 24)	36,130,941	45.3	15.2	60.5	2,185,921,931
2.	Total Local Service (Line 1a + 1b)	72,786,041				3,289,240,441
3.	**Lag (Line 2G / Line 2C)**				**45.2**	

Source: Collection Lag, WS2A3, Line 6
Source: Service Lag, M318, Part 2.0602

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis - Average Lag Days
(Service Period to Billing Extraction Date-IABS)

Worksheet 2
Section WS2A2
Accounting Center: USWC

Study Period: Sept, Oct, Nov 2002

Item No. A	Sept Bill Period B	Service Period Beginning C	Service Period End D	Customer Bill Extraction Date E	No. of Elapsed Days F=E-D	Oct Bill Period G	Service Period Beginning H	Service Period End I	Customer Bill Extraction Date J	No. of Elapsed Days K=J-I	Nov Bill Period L	Service Period Beginning M	Service Period End N	Customer Bill Extraction Date O	No. of Elapsed Days P=O-N
1	01	05-Aug-02	04-Sep-02	04-Sep-02	0	01	02-Sep-02	02-Oct-02	03-Oct-02	1	01	02-Oct-02	01-Nov-02	04-Nov-02	3
2	02	06-Aug-02	05-Sep-02	05-Sep-02	0	02	03-Sep-02	03-Oct-02	04-Oct-02	1	02	05-Oct-02	04-Nov-02	05-Nov-02	1
3	04	07-Aug-02	06-Sep-02	06-Sep-02	0	04	04-Sep-02	04-Oct-02	07-Oct-02	3	04	06-Oct-02	05-Nov-02	06-Nov-02	1
4	05	10-Aug-02	09-Sep-02	09-Sep-02	0	05	07-Sep-02	07-Oct-02	08-Oct-02	1	05	07-Oct-02	06-Nov-02	07-Nov-02	1
5	07	11-Aug-02	10-Sep-02	10-Sep-02	0	07	08-Sep-02	08-Oct-02	09-Oct-02	1	07	08-Oct-02	07-Nov-02	08-Nov-02	1
6	08	12-Aug-02	11-Sep-02	11-Sep-02	0	08	10-Sep-02	10-Oct-02	11-Oct-02	1	08	09-Oct-02	08-Nov-02	11-Nov-02	3
7	09	13-Aug-02	12-Sep-02	12-Sep-02	0	09	11-Sep-02	11-Oct-02	14-Oct-02	3	09	12-Oct-02	11-Nov-02	12-Nov-02	1
8	10	14-Aug-02	13-Sep-02	13-Sep-02	0	10	14-Sep-02	14-Oct-02	15-Oct-02	1	10	13-Oct-02	12-Nov-02	13-Nov-02	1
9	11	17-Aug-02	16-Sep-02	16-Sep-02	0	11	15-Sep-02	15-Oct-02	16-Oct-02	1	11	15-Oct-02	14-Nov-02	15-Nov-02	1
10	12	18-Aug-02	17-Sep-02	17-Sep-02	0	12	16-Sep-02	16-Oct-02	17-Oct-02	1	12	16-Oct-02	15-Nov-02	18-Nov-02	3
11	13	19-Aug-02	18-Sep-02	18-Sep-02	0	13	17-Sep-02	17-Oct-02	18-Oct-02	1	13	19-Oct-02	18-Nov-02	19-Nov-02	1
12	14	20-Aug-02	19-Sep-02	19-Sep-02	0	14	18-Sep-02	18-Oct-02	21-Oct-02	3	14	20-Oct-02	19-Nov-02	20-Nov-02	1
13	15	21-Aug-02	20-Sep-02	20-Sep-02	0	15	21-Sep-02	21-Oct-02	22-Oct-02	1	15	21-Oct-02	20-Nov-02	21-Nov-02	1
14	16	24-Aug-02	23-Sep-02	23-Sep-02	0	16	22-Sep-02	22-Oct-02	23-Oct-02	1	16	22-Oct-02	21-Nov-02	22-Nov-02	1
15	17	25-Aug-02	24-Sep-02	24-Sep-02	0	17	23-Sep-02	23-Oct-02	24-Oct-02	1	17	23-Oct-02	22-Nov-02	25-Nov-02	3
16	19	26-Aug-02	25-Sep-02	25-Sep-02	0	19	24-Sep-02	24-Oct-02	25-Oct-02	1	19	26-Oct-02	25-Nov-02	26-Nov-02	1
17	20	28-Jul-02	27-Aug-02	27-Aug-02	0	20	26-Aug-02	25-Sep-02	26-Sep-02	1	20	25-Sep-02	25-Oct-02	28-Oct-02	3
18	22	29-Jul-02	28-Aug-02	28-Aug-02	0	22	27-Aug-02	26-Sep-02	27-Sep-02	1	22	28-Sep-02	28-Oct-02	29-Oct-02	1
19	23	30-Jul-02	29-Aug-02	29-Aug-02	0	23	31-Aug-02	30-Sep-02	01-Oct-02	1	23	29-Sep-02	29-Oct-02	30-Oct-02	1
20	25	31-Jul-02	30-Aug-02	30-Aug-02	0	25	01-Sep-02	01-Oct-02	02-Oct-02	1	25	30-Sep-02	30-Oct-02	31-Oct-02	1

Month	# of Billing Cycles	# of Days Elapsed
April	21	0
May	21	26
June	21	30
TOTAL	63	56
Service Period/Date Billed Lag**		**0.9**

Source: IABS Billpull Schedule
Contact: A.C. "Toni" Jones (402)-422-3242

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis

Worksheet 2
Section WS2A3
State: Arizona

Study Period: Sept, Oct, Nov 2002

Type of Item: Billed Revenue Collection (IABS)

Item No. A	Description B	April C	May D	June E	Total F=C+D+E	Lag G
1.	Daily Ending Balance	1,186,904,563	1,172,073,086	1,124,562,551	3,483,540,200	
2.	Deposits	25,511,304	28,127,107	26,200,717	79,839,129	
3.	Lag (Billing Date to Date Collection Collected) (Line 1/ Line2)					43.6
4.	Monthly Lag (End of Service Period to Date Billed) (WS2A2)					0.9
5.	Lag (Date of Deposit to Date Available for Expenditure, Deposit Lag) WS23A1					0.8
6.	**Total Billed Revenue Collection Lag** (Line 3 + Line 4 + Line 5)					**45.3**

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis
(Study: IABS)

Worksheet 2
Section WS2A4A
State: Arizona

Study Period: September, 2002

	Report G		Report H			
Date April A	Payments Received B	A/R Balance C	Payments Received D	A/R Balance E	Total A/R F=C+E	Total Cash G=B+D
1		41,238,876		-	41,238,876	
2		41,238,876		-	41,238,876	
3		39,643,034		-	39,643,034	
4		39,709,262		-	39,709,262	
5		34,264,148		-	34,264,148	
6		33,230,623		-	33,230,623	
7		35,412,314		-	35,412,314	
8		35,412,314		-	35,412,314	
9		37,965,350		-	37,965,350	
10		36,419,023		-	36,419,023	
11		41,354,119		-	41,354,119	
12		40,907,619		-	40,907,619	
13		40,900,159		-	40,900,159	
14		43,841,611		-	43,841,611	
15		43,841,611		-	43,841,611	
16		43,485,260		-	43,485,260	
17		43,261,820		-	43,261,820	
18		38,157,459		-	38,157,459	
19		34,177,776		-	34,177,776	
20		40,332,688		-	40,332,688	
21		41,177,508		-	41,177,508	
22		41,177,508		-	41,177,508	
23		40,754,846		-	40,754,846	
24		40,584,898		-	40,584,898	
25		40,427,038		-	40,427,038	
26		39,910,445		-	39,910,445	
27		39,516,780		-	39,516,780	
28		39,520,533		-	39,520,533	
29		39,520,533		-	39,520,533	
30		39,520,533		-	39,520,533	
31				-	-	
Total	25,511,304	1,186,904,563	-	-	1,186,904,563	25,511,303.91
	(MTD-End of Month)		(MTD-End of Month)		Total A/R / Cash =	**46.5**

Source: Report XRUVW-o1 Contact: Shelley Rogers 206-345-1907

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis
(Study: IABS)

Worksheet 2
Section WS2A4B
State: Arizona

Study Period: October, 2002

	Report G		Report H			
Date May A	Payments Received B	A/R Balance C	Payments Received D	A/R Balance E	Total A/R F=C+E	Total Cash G=B+D
1		37,045,370		-	37,045,370	
2		36,629,205		-	36,629,205	
3		36,639,064		-	36,639,064	
4		37,345,751		-	37,345,751	
5		34,198,122		-	34,198,122	
6		35,711,015		-	35,711,015	
7		34,510,241		-	34,510,241	
8		37,870,938		-	37,870,938	
9		38,274,386		-	38,274,386	
10		34,665,348		-	34,665,348	
11		40,002,526		-	40,002,526	
12		40,552,249		-	40,552,249	
13		40,552,249		-	40,552,249	
14		39,877,338		-	39,877,338	
15		38,691,579		-	38,691,579	
16		39,483,651		-	39,483,651	
17		39,388,203		-	39,388,203	
18		33,531,343		-	33,531,343	
19		33,531,343		-	33,531,343	
20		33,531,343		-	33,531,343	
21		36,312,494		-	36,312,494	
22		39,461,244		-	39,461,244	
23		39,556,846		-	39,556,846	
24		39,354,473		-	39,354,473	
25		39,208,297		-	39,208,297	
26		39,334,049		-	39,334,049	
27		39,334,049		-	39,334,049	
28		39,267,226		-	39,267,226	
29		39,277,644		-	39,277,644	
30		39,467,750		-	39,467,750	
31		39,467,750		-	39,467,750	
Total	28,127,107	############	-	0.00	1,172,073,086	28,127,107
	(MTD-End of Month)		(MTD-End of Month)		Total A/R / Cash =	**41.7**

Source: Report XRUVW-Contact: Shelley Rogers 206-345-1907

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QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis
(Study: IABS)

Worksheet 2
Section WS2A4C
State: Arizona

Study Period: November, 2002

	Report G		Report H			
Date June A	Payments Received B	A/R Balance C	Payments Received D	A/R Balance E	Total A/R F=C+E	Total Cash G=B+D
1		39,144,607		-	39,144,607	
2		37,703,853		-	37,703,853	
3		37,828,525		-	37,828,525	
4		37,162,809		-	37,162,809	
5		34,006,927		-	34,006,927	
6		34,567,935		-	34,567,935	
7		31,701,711		-	31,701,711	
8		33,838,602		-	33,838,602	
9		38,583,409		-	38,583,409	
10		38,583,409		-	38,583,409	
11		36,691,957		-	36,691,957	
12		34,221,058		-	34,221,058	
13		37,656,323		-	37,656,323	
14		39,475,797		-	39,475,797	
15		39,375,553		-	39,375,553	
16		39,489,492		-	39,489,492	
17		39,489,492		-	39,489,492	
18		38,404,275		-	38,404,275	
19		32,809,532		-	32,809,532	
20		39,372,374		-	39,372,374	
21		39,634,603		-	39,634,603	
22		39,164,395		-	39,164,395	
23		39,279,123		-	39,279,123	
24		39,279,123		-	39,279,123	
25		38,045,846		-	38,045,846	
26		38,034,374		-	38,034,374	
27		38,240,014		-	38,240,014	
28		38,240,014		-	38,240,014	
29		37,268,709		-	37,268,709	
30		37,268,709		-	37,268,709	
31					-	
Total	26,200,717	############	-	-	1,124,562,551	26,200,717
	(MTD-End of Month)		(MTD-End of Month)		Total A/R / Cash =	**42.9**

Source: Report XRUVW-Contact: Shelley Rogers 206-345-1907

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 3
Long Distance Network Service Revenues
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Toll Service	JR4D, Sheet 3, Line 24 less	10,341,535	Section 3A	46.7	482,949,685
2.		Independent Company (L3) - Coin Phone Sent Paid (L5)				0
3.	Independent Company	JR4D, Sheet 1, Line 23 + 24 + JR4D, Sheet 2, Line 31 +	454,275	Section 3B	46.9	21,305,498
4.		JR4D Sheet 3, Line 17				0
5.	Coin Phone Sent Paid	JR4D, Sheet 1, Line 16	367,257	Section 3C	47.4	17,407,982
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Long Distance Network Service Revenue)**		11,163,067		**46.7**	521,663,164

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 3
Section WS3A1
State: Arizona

Study Period: Amounts are 2003 YTD

Type of Item: Intrastate Revenues (CRIS)

Item No. A	Description B	Amount C	Collection Lag D	Service Lag E	Total Lag Days F=D+E	Dollar Days G=C*F
1.	Message Tolls (Account 5100, 5110, 5120)					
1a.	Advance	703,881	33.4	(15.2)	18.2	12,810,631
1b.	Arrears	10,456,105	33.4	15.2	48.6	508,166,722
2.	Total LD Network Svc Revenues (Line 1a + 1b	11,159,986				520,977,353
3.	**Lag (Line 2G / Line 2C)**				**46.7**	

Source: FOCEXEC CWCTOLL6, Intrastate
Source: Collection Lag, WS1A1, Line 6
Source: Service Lag, M318, Part 2.0602

Cash Working Capital Lag Studies
Detail Analysis

Study Period: Sept - Nov 2001

Type of Item: Independent Company Access Settlements

Item No. A	Identification B	Amount C	Applicable Period From D	Applicable Period To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Date Draft Paid I	Draft Lag J	Total Lag Days K=I+J	Dollar Days L=C*K
1	AZARZA72330	291	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	13,487
2	AZARZA72330	2,170	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	100,476
3	AZARZA72330	133	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	6,155
4	AZCLCC72344	107	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	4,963
5	AZCLCC72344	1,450	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	67,145
6	AZCLWT72265	56,277	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	2,559,347
7	AZCLWT72265	(8,247)	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	54.8	(451,941)
8	AZCLWT72265	39,148	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	54.8	2,145,285
9	AZCTZU72495	0	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	54.8	0
10	AZCTZU72495	5,791	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	268,127
11	AZCTZU72495	136	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	54.8	7,443
12	AZGLAR72449	10,715	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5		0.8	46.3	496,103
13	AZMDVL72348	8	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5		0.8	46.3	389
14	AZMDVL72348	199	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5		0.8	46.3	9,210
15	AZTOUA72408	718	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	33,234
16	AZTOUA72408	75,783	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	3,508,759
17	AZTTTC72437	3	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	156
18	AZTTTC72437	48	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	2,242
19	AZTTTC72437	0	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	3
20	AZTTTC72437	0	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	1
21	AZULSW72382	246	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5		0.8	46.3	11,376
22	AZULSW72382	583	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5		0.8	46.3	27,008
23	AZVVLE72368	202	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	9,348
24	AZVVLE72368	924	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		9.3	54.8	50,662
25	AZARZA73357	288	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5		9.3	54.8	15,777
26	AZARZA73357	1,323	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5		0.8	46.3	61,241
27	AZARZA73357	133	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5		0.8	46.3	6,155
28	AZCLCC73560	140	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	6,463
29	AZCLCC73560	7,292	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	337,628
30	AZCLWT73867	47,889	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5		0.8	46.3	2,217,202
31	AZCTZU73651	16,561	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	766,790
32	AZCTZU73651	121	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	5,584
33	AZGLAR73866	13,427	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5		0.8	46.3	621,678
34	AZMDVL73409	334	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5		0.8	46.3	15,445
35	AZTOUA73577	67,841	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	3,145,670
36	AZTTTC73562	0	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	14
37	AZTTTC73562	1,024	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	47,389
38	AZTTTC73562	0	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	10
39	AZTTTC73562	1	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	64
40	AZULSW73371	191	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5		0.8	46.3	8,848
41	AZULSW73371	1,030	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5		0.8	46.3	47,678
42	AZVVLE73567	92	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	4,241
43	AZVVLE73567	403	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5		0.8	46.3	18,677
44	AZARZA75294	398	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5		0.8	46.3	18,404
45	AZARZA75294	1,691	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5		0.8	46.3	78,311
46	AZARZA75294	133	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5		0.8	46.3	6,155
47	AZCLCC75371	102	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	4,741
48	AZCLCC75371	2,033	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	94,120
49	AZCLWT75303	44,455	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5		0.8	46.3	2,058,269
50	AZCTZU75308	10,292	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	476,499
51	AZCTZU75308	53	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	2,459
52	AZGLAR75426	10,635	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5		0.8	46.3	492,366
53	AZMDVL75427	2	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5		0.8	46.3	97
54	AZMDVL75427	319	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5		0.8	46.3	14,758
55	AZTOUA75475	56,492	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	2,615,595
56	AZTTTC75483	68	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	3,167
57	AZTTTC75483	1,019	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	47,182
58	AZTTTC75483	0	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	1
59	AZTTTC75483	1	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	59
60	AZULSW75480	344	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5		0.8	46.3	15,932
61	AZULSW75480	631	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5		0.8	46.3	29,210
62	AZVVLE75482	62	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	2,869
63	AZVVLE75482	719	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5		0.8	46.3	33,307
64	Total	473,326								46.9	22,189,088

Study Period: 2003

The Coin Lag is the same as the one developed in Worksheet 1 Section WS1B1.

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 4
Billing & Collection
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Billing and Collection	JR4E, Sheet 1, Line 39 + Line 41	5,329,567	Section 4A	45.2	240,896,428
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Billing and Collecting Revenue)**		5,329,567		**45.2**	240,896,428

Study Period: 2003

The Billing and Collection Lag is the same as the one developed in Worksheet 2 Section WS2A1.

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 5
Miscellaneous Revenue
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Rent Revenue	1990 YTD Detail less Rent Comp	49,499,878	Section 5A	18.2	900,897,784
2.	Directory Revenue	1990 YTD Detail	16,040,476	Section 5B	18.2	291,936,663
3.	Other	1990 YTD Report, Accounts 5250 + 5261 +	32,194,564	Section 5C	33.4	1,075,298,433
4.		5262 + 5263 + 5264 + 5269 + 5280.1 + 5280.2 +				0
5.		5280.3 + 5280.5 + 5280.6 + 5280.9				0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Miscellaneous Revenue)**		97,734,918		**23.2**	2,268,132,880

Study Period: 2003

The CRIS Lag developed for billing in advance in Section WS1C1 is used as a surrogate.

Study Period: 2003

The CRIS Lag developed for billing in advance in Section WS1C1 is used as a surrogate.

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 5
Section WS5C1
State: Arizona

Study Period: 2003

The CRIS Lag developed for billing in Section WS1A1 is used as a surrogate.

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 6
Maintenance
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6110-6530, 6533:.1	152,515,599	Section 24	24.8	3,782,386,847
2.	Benefit Expense	6110-6530, 6533:.2	58,830,845	Section 25	6.6	388,283,575
3.	Rent Expense	6110-6530, 6533:.3	26,107,458	Section 26	9.9	258,463,838
4.	Other Expense	6110-6530, 6533:.9	80,157,010	Section 27	35.5	2,845,573,855
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Maintenance Expense)**		317,610,912		**22.9**	7,274,708,116

Source: CWCEXP

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 7
Engineering
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6535.1	5,638,469	Section 24	24.8	139,834,024
2.	Benefit Expense	6535.2 + OPEB adjustment	2,164,258	Section 25	6.6	14,284,103
3.	Rent Expense	6535.3	0	Section 26	9.9	0
4.	Other Expense	6535.9	4,392,180	Section 27	35.5	155,922,380
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Engineering Expense)**		12,194,906		**25.4**	310,040,507

Source: CWCEXP

Study Period: Amounts are 2003 YTD

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 8
Network Operations
State: Arizona

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6534.1	43,296,049	Section 24	24.8	1,073,742,024
2.	Benefit Expense	6534.2 + OPEB adjustment	18,176,349	Section 25	6.6	119,963,901
3.	Rent Expense	6534.3	(1,045)	Section 26	9.9	(10,348)
4.	Other Expense	6534.9	11,252,024	Section 27	35.5	399,446,847
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Network Operations Expense)**		72,723,377		**21.9**	1,593,142,424

Source: CWCEXP

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 9
Network Administration
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6532.1	1,560,500	Section 24	24.8	38,700,391
2.	Benefit Expense	6532.2 + OPEB adjustment	302,425	Section 25	6.6	1,996,006
3.	Rent Expense	6532.3	0	Section 26	9.9	0
4.	Other Expense	6532.9	99,553	Section 27	35.5	3,534,129
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Network Administration Expense)**		1,962,478		**22.5**	44,230,526

Source: CWCEXP

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 10
Access Expense
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Independent Company Access Expense	JR5, Sheet 2, Line 9	36,516,760	Section 10A	54.7	1,997,466,772
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Independent Company Access Expense)**		36,516,760		**54.7**	1,997,466,772

Cash Working Capital Lag Studies
Detail Analysis

Study Period: Sept - Nov 2001

Type of Item: Independent Company Access Settlements

Item No. A	Company B	Amount C	Applicable Period From D	Applicable Period To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Draft Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1	AZACCI72296	82	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	3,795
2	AZACCI72296	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	8
3	AZACCI72296	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	8
4	AZACCI72296	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	19
5	AZACCI72296	59	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	2,713
6	AZACCI72296	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	4
7	AZACCI72296	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		9.3	54.8	1
8	AZACCI72296	2	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		9.3	54.8	102
9	AZACCI72296	21	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		9.3	54.8	1,153
10	AZACCI72296	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5		0.8	46.3	7
11	AZARZA72330	21	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		9.3	54.8	1,124
12	AZARZA72330	61	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	2,814
13	AZARZA72330	105	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	4,840
14	AZARZA72330	89	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	4,110
15	AZARZA72330	243	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	11,259
16	AZARZA72330	75	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	3,462
17	AZARZA72330	41	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	1,918
18	AZARZA72330	39	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	1,795
19	AZARZA72330	(10)	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	(443)
20	AZARZA72330	(191)	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	(8,841)
21	AZARZA72330	5,467	17-Aug-01	17-Sep-01	01-Sep-01	17-Oct-01	45.5		0.8	46.3	253,125
22	AZCLCC72344	5	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	209
23	AZCLCC72344	878	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	40,650
24	AZCLCC72344	14	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		9.3	54.8	790
25	AZCLCC72344	1,317	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		9.3	54.8	72,168
26	AZCLCC72344	28	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5		0.8	46.3	1,315

27	AZCLCC72344	7	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	372
28	AZCLCC72344	1,317	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	72,168
29	AZCLCC72344	22	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	1,185
30	AZCLCC72344	21	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	1,140
31	AZCLWT72265	14	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	740
32	AZCLWT72265	15	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	827
33	AZCLWT72265	16,247	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	890,352
34	AZCLWT72265	4,208	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	230,578
35	AZCLWT72265	9,470	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	518,954
36	AZCLWT72265	10,581	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	579,834
37	AZCLWT72265	1,531	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	83,905
38	AZCLWT72265	1,676	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	91,867
39	AZCLWT72265	33	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	1,794
40	AZCLWT72265	2,742	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	150,282
41	AZCLWT72265	2,497	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	136,822
42	AZCLWT72265	47	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	2,595
43	AZCTZU72495	23	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	1,281
44	AZCTZU72495	12,945	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	709,366
45	AZCTZU72495	1	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	63
46	AZCTZU72495	134	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	7,363
47	AZCTZU72495	4,606	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	252,409
48	AZCTZU72495	2,999	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	164,345
49	AZGLAR72449	1,830	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	100,292
50	AZGLAR72449	107	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	5,837
51	AZGLAR72449	61	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	3,330
52	AZGLAR72449	185	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	10,116
53	AZGLAR72449	1,452	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	79,596
54	AZGLAR72449	1,188	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	65,100
55	AZGLAR72449	151	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	8,274
56	AZMDVL72348	339	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5	9.3	54.8	18,565
57	AZMDVL72348	22	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5	9.3	54.8	1,180
58	AZMDVL72348	24	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5	9.3	54.8	1,327
59	AZMDVL72348	364	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5	9.3	54.8	19,929
60	AZMDVL72348	29	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5	9.3	54.8	1,583
61	AZMDVL72348	413	09-Aug-01	09-Sep-01	24-Aug-01	9-Oct-01	45.5	9.3	54.8	22,636

62	AZSCAT72455	26	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	1,442
63	AZSCAT72455	1	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	32
64	AZSCAT72455	135	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	7,421
65	AZSCAT72455	0	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	16
66	AZSCAT72455	2	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	82
67	AZSCAT72455	44	01-Aug-01	01-Sep-01	16-Aug-01	1-Oct-01	45.5	9.3	54.8	2,407
68	AZTOUA72408	83,361	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	4,568,207
69	AZTTTC72437	1	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	43
70	AZTTTC72437	7	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	359
71	AZTTTC72437	3	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	139
72	AZTTTC72437	7	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	381
73	AZTTTC72437	759	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	41,593
74	AZTTTC72437	36	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	1,949
75	AZTTTC72437	714	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	39,103
76	AZTTTC72437	108	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	5,922
77	AZTTTC72437	45	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	2,448
78	AZTTTC72437	167	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	9,174
79	AZTTTC72437	84	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	4,614
80	AZTTTC72437	759	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	41,593
81	AZTTTC72437	714	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	39,103
82	AZTTTC72437	287	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	15,754
83	AZTTTC72437	120	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	6,580
84	AZTTTC72437	759	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	41,593
85	AZTTTC72437	40	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	2,166
86	AZTTTC72437	714	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	39,103
87	AZTTTC72437	167	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	9,174
88	AZTTTC72437	45	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	2,448
89	AZTTTC72437	1	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	73
90	AZTTTC72437	2	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	128
91	AZULSW72382	0	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	2
92	AZULSW72382	330	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	18,092
93	AZULSW72382	2	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	123
94	AZULSW72382	24	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	1,322
95	AZULSW72382	42	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	2,290
96	AZULSW72382	523	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	28,674

97	AZULSW72382	230	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	12,594
98	AZULSW72382	17	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	921
99	AZULSW72382	2	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	85
100	AZULSW72382	1	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	56
101	AZULSW72382	158	13-Aug-01	13-Sep-01	28-Aug-01	13-Oct-01	45.5	9.3	54.8	8,631
102	AZVVLE72368	28	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	1,523
103	AZVVLE72368	1,803	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	98,825
104	AZVVLE72368	75	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	4,108
105	AZVVLE72368	407	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	22,315
106	AZVVLE72368	23	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	1,272
107	AZVVLE72368	915	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	50,168
108	AZVVLE72368	14	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	774
109	AZVVLE72368	38	10-Aug-01	10-Sep-01	25-Aug-01	10-Oct-01	45.5	9.3	54.8	2,086
110	AZACCI73349	0	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	5
111	AZACCI73349	72	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	3,960
112	AZACCI73349	1	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	42
113	AZACCI73349	52	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	2,831
114	AZACCI73349	1	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	40
115	AZACCI73349	0	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	4
116	AZACCI73349	2	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	90
117	AZACCI73349	0	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	1
118	AZACCI73349	0	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	14
119	AZACCI73349	19	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	1,017
120	AZARZA73357	9	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	468
121	AZARZA73357	23	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	1,264
122	AZARZA73357	74	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	4,030
123	AZARZA73357	34	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	1,847
124	AZARZA73357	145	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	7,949
125	AZARZA73357	51	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	2,776
126	AZARZA73357	16	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	861
127	AZARZA73357	17	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	934
128	AZARZA73357	(73)	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	(3,973)
129	AZARZA73357	(12)	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	(659)
130	AZARZA73357	5,392	16-Sep-01	17-Oct-01	01-Oct-01	16-Nov-01	45.5	9.3	54.8	295,474
131	AZCLCC73580	4	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	207

132	AZCLCC73580	805	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	44,118
133	AZCLCC73580	17	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	928
134	AZCLCC73580	1,208	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	66,178
135	AZCLCC73580	31	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	1,703
136	AZCLCC73580	1,208	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	66,178
137	AZCLCC73580	6	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	311
138	AZCLCC73580	25	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	1,392
139	AZCLCC73580	21	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	1,140
140	AZCLWT73367	8	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	459
141	AZCLWT73367	9	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	515
142	AZCLWT73367	2,617	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	143,405
143	AZCLWT73367	5,907	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	323,728
144	AZCLWT73367	6,581	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	360,633
145	AZCLWT73367	943	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	51,654
146	AZCLWT73367	1,031	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	56,496
147	AZCLWT73367	20	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	1,099
148	AZCLWT73367	1,706	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	93,509
149	AZCLWT73367	1,557	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	85,350
150	AZCLWT73367	29	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	1,574
151	AZCTZU73651	22	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	1,218
152	AZCTZU73651	12,302	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	674,136
153	AZCTZU73651	0	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	3
154	AZCTZU73651	128	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	6,997
155	AZCTZU73651	4,377	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	239,873
156	AZCTZU73651	2,850	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	156,183
157	AZGLAR73665	91	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	5,007
158	AZGLAR73665	1,743	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	95,527
159	AZGLAR73665	57	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	3,115
160	AZGLAR73665	162	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	8,884
161	AZGLAR73665	1,383	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	75,814
162	AZGLAR73665	133	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	7,266
163	AZGLAR73665	1,132	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	62,007
164	AZMDVL73409	29	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5	9.3	54.8	1,601
165	AZMDVL73409	374	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5	9.3	54.8	20,518
166	AZMDVL73409	416	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5	9.3	54.8	22,770

167	AZMDVL73409	34	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5	9.3	54.8	1,890
168	AZMDVL73409	40	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5	9.3	54.8	2,185
169	AZMDVL73409	465	08-Sep-01	09-Oct-01	23-Sep-01	8-Nov-01	45.5	9.3	54.8	25,508
170	AZSCAT73672	33	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	1,796
171	AZSCAT73672	1	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	41
172	AZSCAT73672	169	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	9,246
173	AZSCAT73672	0	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	20
174	AZSCAT73672	2	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	102
175	AZSCAT73672	55	31-Aug-01	01-Oct-01	15-Sep-01	31-Oct-01	45.5	9.3	54.8	2,999
176	AZTOUA73577	74,735	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	4,095,485
177	AZTTTC73562	1	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	48
178	AZTTTC73562	8	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	418
179	AZTTTC73562	3	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	180
180	AZTTTC73562	9	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	478
181	AZTTTC73562	951	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	52,137
182	AZTTTC73562	830	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	45,502
183	AZTTTC73562	122	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	6,668
184	AZTTTC73562	47	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	2,559
185	AZTTTC73562	177	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	9,695
186	AZTTTC73562	42	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	2,313
187	AZTTTC73562	830	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	45,502
188	AZTTTC73562	94	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	5,156
189	AZTTTC73562	951	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	52,137
190	AZTTTC73562	367	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	20,129
191	AZTTTC73562	135	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	7,409
192	AZTTTC73562	951	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	52,137
193	AZTTTC73562	830	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	45,502
194	AZTTTC73562	52	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	2,843
195	AZTTTC73562	177	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	9,695
196	AZTTTC73562	42	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	2,313
197	AZTTTC73562	3	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	189
198	AZTTTC73562	2	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	84
199	AZTTTC73562	55	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	3,025
200	AZULSW73371	0	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	2
201	AZULSW73371	2	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	88

202	AZULSW73371	287	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	15,746
203	AZULSW73371	22	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	1,229
204	AZULSW73371	38	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	2,086
205	AZULSW73371	455	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	24,955
206	AZULSW73371	16	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	855
207	AZULSW73371	200	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	10,960
208	AZULSW73371	1	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	61
209	AZULSW73371	1	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	55
210	AZULSW73371	158	12-Sep-01	13-Oct-01	27-Sep-01	12-Nov-01	45.5	9.3	54.8	8,631
211	AZVVLE73567	1,923	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	105,378
212	AZVVLE73567	17	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	932
213	AZVVLE73567	80	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	4,367
214	AZVVLE73567	434	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	23,795
215	AZVVLE73567	22	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	1,197
216	AZVVLE73567	9	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	474
217	AZVVLE73567	976	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	53,494
218	AZVVLE73567	40	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	2,217
219	AZVVLE73567	118	09-Sep-01	10-Oct-01	24-Sep-01	9-Nov-01	45.5	9.3	54.8	6,469
220	AZACCI75262	0	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	18
221	AZACCI75262	78	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	4,265
222	AZACCI75262	0	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	1
223	AZACCI75262	1	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	32
224	AZACCI75262	56	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	3,049
225	AZACCI75262	0	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	5
226	AZACCI75262	0	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	1
227	AZACCI75262	2	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	96
228	AZACCI75262	20	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	1,095
229	AZACCI75262	0	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	12
230	AZARZA75294	8	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	449
231	AZARZA75294	24	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	1,294
232	AZARZA75294	151	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	8,292
233	AZARZA75294	257	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	14,091
234	AZARZA75294	34	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	1,890
235	AZARZA75294	16	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	881
236	AZARZA75294	104	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	5,683

237	AZARZA75294	16	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	895
238	AZARZA75294	(1)	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	(82)
239	AZARZA75294	5,023	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	275,264
240	AZARZA75294	(74)	17-Oct-01	17-Nov-01	01-Nov-01	17-Dec-01	45.5	9.3	54.8	(4,065)
241	AZCLCC75371	925	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	50,675
242	AZCLCC75371	3	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	168
243	AZCLCC75371	16	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	859
244	AZCLCC75371	28	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,540
245	AZCLCC75371	1,387	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	76,012
246	AZCLCC75371	1,387	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	76,012
247	AZCLCC75371	5	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	252
248	AZCLCC75371	24	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,289
249	AZCLCC75371	21	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,140
250	AZCLWT75303	11	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	620
251	AZCLWT75303	10	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	563
252	AZCLWT75303	3,153	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	172,782
253	AZCLWT75303	12,293	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	673,677
254	AZCLWT75303	7,929	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	434,516
255	AZCLWT75303	7,165	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	392,660
256	AZCLWT75303	1,138	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	62,365
257	AZCLWT75303	1,240	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	67,945
258	AZCLWT75303	18	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	980
259	AZCLWT75303	2,061	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	112,945
260	AZCLWT75303	1,889	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	103,518
261	AZCLWT75303	30	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	1,628
262	AZCLWT75303	10,135	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	555,414
263	AZCTZU75308	24	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,289
264	AZCTZU75308	13,021	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	713,566
265	AZCTZU75308	135	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	7,407
266	AZCTZU75308	4,633	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	253,903
267	AZCTZU75308	3,017	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	165,318
268	AZGLAR75426	1,807	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	99,004
269	AZGLAR75426	81	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	4,431
270	AZGLAR75426	45	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	2,440
271	AZGLAR75426	1,434	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	78,573

272	AZGLAR75426	139	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	7,610
273	AZGLAR75426	1,173	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	64,264
274	AZGLAR75426	114	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	6,225
275	AZMDVL75427	405	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5	9.3	54.8	22,172
276	AZMDVL75427	36	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5	9.3	54.8	1,970
277	AZMDVL75427	41	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5	9.3	54.8	2,254
278	AZMDVL75427	429	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5	9.3	54.8	23,512
279	AZMDVL75427	490	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5	9.3	54.8	26,844
280	AZMDVL75427	49	09-Oct-01	09-Nov-01	24-Oct-01	9-Dec-01	45.5	9.3	54.8	2,659
281	AZSCAT75434	32	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	1,749
282	AZSCAT75434	1	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	39
283	AZSCAT75434	164	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	8,998
284	AZSCAT75434	0	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	19
285	AZSCAT75434	2	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	100
286	AZSCAT75434	53	01-Oct-01	01-Nov-01	16-Oct-01	1-Dec-01	45.5	9.3	54.8	2,918
287	AZTOUA75475	62,142	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	3,405,358
288	AZTTTC75483	7	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	399
289	AZTTTC75483	1	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	47
290	AZTTTC75483	6	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	327
291	AZTTTC75483	3	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	159
292	AZTTTC75483	793	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	43,452
293	AZTTTC75483	89	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	4,857
294	AZTTTC75483	48	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	2,604
295	AZTTTC75483	651	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	35,657
296	AZTTTC75483	201	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	11,039
297	AZTTTC75483	41	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	2,247
298	AZTTTC75483	651	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	35,657
299	AZTTTC75483	325	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	17,817
300	AZTTTC75483	793	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	43,452
301	AZTTTC75483	94	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	5,140
302	AZTTTC75483	53	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	2,893
303	AZTTTC75483	98	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	5,397
304	AZTTTC75483	793	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	43,452
305	AZTTTC75483	651	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	35,657
306	AZTTTC75483	201	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	11,039

307	AZTTTC75483	41	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	2,247
308	AZTTTC75483	3	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	180
309	AZTTTC75483	1	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	65
310	AZTTTC75483	25	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,381
311	AZULSW75480	0	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	3
312	AZULSW75480	3	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	145
313	AZULSW75480	343	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	18,788
314	AZULSW75480	25	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	1,386
315	AZULSW75480	44	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	2,425
316	AZULSW75480	543	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	29,774
317	AZULSW75480	239	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	13,076
318	AZULSW75480	18	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	964
319	AZULSW75480	2	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	100
320	AZULSW75480	1	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	54
321	AZULSW75480	158	13-Oct-01	13-Nov-01	28-Oct-01	13-Dec-01	45.5	9.3	54.8	8,631
322	AZVVLE75482	1,525	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	83,595
323	AZVVLE75482	38	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	2,108
324	AZVVLE75482	105	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	5,765
325	AZVVLE75482	32	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,778
326	AZVVLE75482	344	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	18,876
327	AZVVLE75482	774	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	42,436
328	AZVVLE75482	20	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	1,070
329	AZVVLE75482	53	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	2,926
330	AZVVLE75482	107	10-Oct-01	10-Nov-01	25-Oct-01	10-Dec-01	45.5	9.3	54.8	5,879
331	Total	477,143							***54.7***	26,088,166

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 11
Other
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6511, 6512:.1	(214,010)	Section 24	24.8	(5,307,454)
2.	Benefit Expense	6511, 6512:.2 + OPEB adjustment	3,127	Section 25	6.6	20,640
3.	Rent Expense	6511, 6512:.3	0	Section 26	9.9	0
4.	*Other Expense*	*6511, 6512:.9*	388,262	Section 27	35.5	13,783,318
5.	Inventory Adjustments	6512.3 [excluded per M. Brosch]	366,314			0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	***Total Composite Lag (Other Expense)***		543,694		**15.6**	8,496,503

Source: CWCEXP

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 12
Customer Operations Expense
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6611-6623: .1	78,888,114	Section 24	24.8	1,956,425,217
2.	Benefit Expense	6611-6623: .2 + OPEB adjustment	41,840,692	Section 25	6.6	276,148,568
3.	Rent Expense	6611-6623: .3	3,036	Section 26	9.9	30,060
4.	Other Expense	6611-6623: .9	113,211,744	Section 27	35.5	4,019,016,916
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Customer Operations Expense)**		233,943,586		**26.7**	6,251,620,761

Source: *CWCEXP*

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 13
Corporate Operations Expense
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Expense	6711-6790: .1 + ARMIS Adj	(6,697,932)	Section 24	24.8	(166,108,715)
2.	Benefit Expense	6711-6790: .2 + ARMIS Adj	341,365	Section 25	6.6	2,253,011
3.	Rent Expense	6711-6790: .3	8,922,272	Section 26	9.9	88,330,494
4.	Other Expense	6711-6790: .9	252,730,853	Section 27	35.5	8,971,945,282
5.					0.0	0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Corporate Operations Expense)**		255,296,558		**34.8**	8,896,420,072

Source: CWCEXP

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 14
Property Taxes
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Property Taxes	1990s JRYTD	87,870,552	Section 15A1	202.6	17,802,573,835
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Property Taxes)**		87,870,552		**203.0**	17,802,573,835

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 15
Property and Other Taxes
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Property Tax	7240.1		Section 15A	202.6	0
2.				Section 15B		0
3.	Gross Receipts & PUC Assessments	7240.2	4,191,495	Section 15C	(183.7)	(769,977,632)
4.				Section 15D		
5.				Section 15E		
6.				Section 15F		
7.	Franchise Tax (Flat Rate Occupational)	7240.3	4,846	Section 15G		
8.	Capital Stock	7240.4	0	Section 15H		
9.	Superfund Tax	7240.7	0	Section 17	36.0	0
10.	Use Tax	7240.91	(7,408)	Section 15I	38.5	(285,190)
11.	Sales Tax Assumed	7240.93	0	Section 15J	(3.3)	0
12.	Other Tax (See note.)	7240.99	738,168	Section 15K		
13.	Accounts 7240.24 and 7240.99 are memo entries only and are not included					
14.	in the calculation of Other Operating Taxes lag. Account 7240.24 has no study; several taxes are booked to account 7240.99.					
15.	**Total Composite Lag (Other Taxes, Excluding Income Taxes)**		4,188,933		**(183.9)**	(770,262,821.4)

Cash Working Capital Lag Studies
Detail Analysis

Study Period: 2002

Type of Item: Property Taxes (Ad Valorem) (Account 7240.1 & 4080.11)

Item No. A	Identification B	Amount C	Applicable Period From D	Applicable Period To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Days Elapsed H=G-F	Check Lag I	Total Lag Days J=(H)	Dollar Days K=C*J	Remarks L
1	Various County Treasurers	33,509,477	01-Jul-01	31-Dec-01	30-Sep-01	09-Apr-02	190.5	9.3	199.8	6,695,193,499	
2					0-Jan-00		0.0	9.3	9.3	0	
3	Various County Treasurers	35,308,772	01-Jan-02	30-Jun-02	1-Apr-02	14-Oct-02	196.0	9.3	205.3	7,248,890,795	
4					0-Jan-00		0.0	9.3	9.3	0	
5					0-Jan-00		0.0	9.3	9.3	0	
6	Salt River-Pima-Maricopa Indian Community	7,970	01-Jan-02	31-Dec-02	2-Jul-02	11-May-02	-52.0	9.3	(42.7)	(340,319)	
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30											
31											
32											
33											
Total		68,826,218.50							**202.6**	13,943,743,975	

Realty tax prepared by Stephanie Jackson303-850-3906

Cash Working Capital Lag Studies
Detail Analysis

Study Period: 2002

Type of Item: Gross Receipts PUC Assessment (Account 7240.22) (1300.2100)

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1	Annual Payment	2,350,175	01-Jul-02	30-Jun-03	30-Dec-02	20-Jun-02	(193.0)	9.3	(183.7)	(431,727,148)	
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
Total		2,350,175							**(183.7)**	(431,727,148)	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: 2002

Type of Item: Use Tax (Account 7240.91) (4010.285)

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1	Monthly	104,888.51	01-Dec-99	31-Dec-99	16-Dec-99	14-Jan-00	29.7	9.3	39.0	4,089,334.71	
2	Monthly	123,447.72	01-Jan-00	31-Jan-00	16-Jan-00	12-Feb-00	27.7	9.3	37.0	4,568,821.55	
3	Monthly	81,765.89	01-Feb-00	02-Mar-00	16-Feb-00	14-Mar-00	27.7	9.3	37.0	3,028,290.59	
4	Monthly	82,601.21	01-Mar-00	31-Mar-00	16-Mar-00	14-Apr-00	29.7	9.3	39.0	3,226,912.66	
5	Monthly	82,288.76	01-Apr-00	30-Apr-00	15-Apr-00	11-May-00	26.2	9.3	35.5	2,919,455.68	
6	Monthly	109,317.37	01-May-00	31-May-00	16-May-00	15-Jun-00	30.7	9.3	40.0	4,369,989.70	
7	Monthly	82,043.77	01-Jun-00	30-Jun-00	15-Jun-00	15-Jul-00	30.2	9.3	39.5	3,236,814.74	
8	Monthly	100,884.33	01-Jul-00	31-Jul-00	16-Jul-00	12-Aug-00	27.7	9.3	37.0	3,729,004.77	
9	Monthly	105,727.57	01-Aug-00	31-Aug-00	16-Aug-00	15-Sep-00	30.7	9.3	40.0	4,234,302.30	
10	Monthly	127,774.74	01-Sep-00	30-Sep-00	15-Sep-00	14-Oct-00	29.2	9.3	38.5	4,920,418.90	
11	Monthly	114,240.05	01-Oct-00	31-Oct-00	16-Oct-00	15-Nov-00	30.7	9.3	40.0	4,565,109.09	
12	Monthly	152,199.26	01-Nov-00	30-Nov-00	15-Nov-00	14-Dec-00	29.2	9.3	38.5	5,855,487.79	
13	Monthly						0.0	9.3	9.3	0.00	
14	Monthly						0.0	9.3	9.3	0.00	
15	Monthly						0.0	9.3	9.3	0.00	
16	Monthly						0.0	9.3	9.3	0.00	
17	Monthly						0.0	9.3	9.3	0.00	
18	Monthly						0.0	9.3	9.3	0.00	
19	Monthly						0.0	9.3	9.3	0.00	
20											
21											
22											
23											
24											
25											
Total		1,267,379							**38.5**	48,743,942	

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 15
Section WS15J1
State: Arizona

Study Period: 2002

Type of Item: Sales Tax Assumed (Account 7240.93)

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1	Monthly	72,498	01-Dec-01	31-Dec-01	16-Dec-01	20-Jan-02	35.0	9.3	44.3	3,211,673	
2	Monthly	73,476	01-Jan-02	31-Jan-02	16-Jan-02	20-Feb-02	35.0	9.3	44.3	3,254,985	
3	Monthly	72,428	01-Feb-02	03-Mar-02	16-Feb-02	23-Mar-02	35.0	9.3	44.3	3,208,556	
4	Monthly	65,835	01-Mar-02	31-Mar-02	16-Mar-02	20-Apr-02	35.0	9.3	44.3	2,916,482	
5	Monthly	68,720	01-Apr-02	30-Apr-02	15-Apr-02	20-May-02	34.5	9.3	43.8	3,009,929	
6	Monthly	69,975	01-May-02	31-May-02	16-May-02	20-Jun-02	35.0	9.3	44.3	3,099,904	
7	Monthly	67,800	01-Jun-02	30-Jun-02	15-Jun-02	20-Jul-02	34.5	9.3	43.8	2,969,642	
8	Monthly	62,274	01-Jul-02	31-Jul-02	16-Jul-02	20-Aug-02	35.0	9.3	44.3	2,758,721	
9	Monthly	71,154	01-Aug-02	31-Aug-02	16-Aug-02	20-Sep-02	35.0	9.3	44.3	3,152,103	
10	Monthly	60,670	01-Sep-02	30-Sep-02	15-Sep-02	20-Oct-02	34.5	9.3	43.8	2,657,359	
11	Monthly	67,345	01-Oct-02	31-Oct-02	16-Oct-02	20-Nov-02	35.0	9.3	44.3	2,983,397	
12	Monthly	69,476	01-Nov-02	30-Nov-02	15-Nov-02	20-Dec-02	34.5	9.3	43.8	3,043,059	
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
Total		821,651							44.1	36,265,810	
							Less Coin Lag		47.4		
							Sales Assumed Lag		(3.3)		

Prepared by: Kristine Wallack (303)-850-3985

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 16
Uncollectibles
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	This Lag is the same as the					0
2.	Composite Revenue Lag.					0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Uncollectible Lag)**				**22.7**	

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 17
Federal Income Tax
State: Arizona

Study Period: Statutory Tax Year

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Federal Income Tax	Tax Department		Section 17	36.0	0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Federal Income Tax)**		0		**36.0**	0

Cash Working Capital Lag Studies Worksheet 17
Detail Analysis Section WS17A1
Federal Statutory Income Tax Lead Study Area: USWC

Study Period: N/A

Date Due A	Days from January 1 B	Mid-Point of Year C	Net Lead Days D=B-C	Percentage Due E	Weighted Lead Days F=D*E
04/15/X1	104	182.5	(78.5)	25.0%	(19.6)
06/15/X1	165	182.5	(17.5)	25.0%	(4.4)
09/15/X1	257	182.5	74.5	25.0%	18.6
12/15/X1	348	182.5	165.5	25.0%	41.4
				Total Lag	**36.0**

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 18
State Income Tax
State: Arizona

Study Period: Statutory Tax Year

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	State Income Tax	Tax Department		Section 18	61.1	0
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (State Income Tax)**		0		**61.1**	0

Cash Working Capital Lag Studies Worksheet 18
Detail Analysis *Section* WS18A1
Arizona Statutory Income Tax Lead State: Arizona

Study Period: N/A

Date Due A	Days from January 1 B	Mid-Point of Year C	Net Lead Days D=B-C	Percentage Due E	Weighted Lead Days F=D*E
4/15/X1	104	182.5	(78.5)	22.5%	(17.7)
6/15/X1	165	182.5	(17.5)	22.5%	(3.9)
9/15/X1	257	182.5	74.5	22.5%	16.8
12/15/X1	348	182.5	165.5	22.5%	37.2
4/15/X2	469	182.5	286.5	10.0%	28.7
				Total Lag	**61.1**

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 19
Interest Expense
Area: USWC

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Commercial Paper	7540.211	8,804	Section 19A	2.6	22,890
2.	Debenture Interest	7510.9	562,312,082	Section 19B	92.1	51,788,942,752
3.	Customer Deposits	7540.29 (EXTC 786 only)	2,478,909	Section 19C	182.5	452,400,840
4.	Capital Leases	7520	4,692,440	Section 19C	9.3	43,639,693
5.	Discount Amortization	7510.2	5,966,333		22.7	135,248,598
6.	Amortization of Issuance Expense	7530.1	14,063,878		0.0	0
7.	Premium Amortization	7510.1	(468)		22.7	(10,609)
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0

Source: CWCINT97

15.	**Total Composite Lag (Interest Expense)**	589,521,978	**88.9**	52,420,244,164

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 19
Section WS19A1
Area: USWC

Study Period: 2002

Type of Item: Commercial Paper (Short Term Interest)

Line No. A	Month B	Total New Issuance C	Avg Term of Borrowing D	Total WTD Days E=C*D
1	January	992,477,000	8.0	7,939,816,000
2	February	2,291,000,000	4.0	9,164,000,000
3	March	0	0.0	0
4	April	0	0.0	0
5	May	0	0.0	0
6	June	0	0.0	0
7	July	0	0.0	0
8	August	0	0.0	0
9	September	0	0.0	0
10	October	0	0.0	0
11	November	0	0.0	0
12	December	0	0.0	0
13	Total	*3,283,477,000*		*17,103,816,000*

14 Avg Number of Days Debt was Outstanding (D13/B13) 5.2

15 Lag Factor (L14/2)*-1: (2.6)
(Interest on Commercial Paper is paid in advance in the form of a discount: lag is therefore negative.

16 In Arizona, payment in advance is disallowed. **2.6**

Source: Jerry Sander 303-793-6440

Cash Working Capital Lag Studies
Detail Analysis

Study Period: January - December, 2002

Type of Item: Debenture Interest

Item No. A	Identification Mat-Yr-Int% B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1	2007-39-6.25	2,803,125	01-Jul-01	30-Dec-01	30-Sep-01	01-Jan-02	93.0		93.0	260,690,625	Wire
2	2007-40-6.00	2,106,000	01-Aug-01	31-Jan-02	31-Oct-01	01-Feb-02	92.5		92.5	194,805,000	
3	2002-40-4.375	1,094,000	01-Sep-01	28-Feb-02	30-Nov-01	01-Mar-02	91.0		91.0	99,554,000	
4	2033-40-6.875	34,375,000	15-Sep-01	14-Mar-02	14-Dec-01	15-Mar-02	91.0		91.0	3,128,125,000	
5	2025-30-7.25	9,062,500	15-Sep-01	14-Mar-02	14-Dec-01	15-Mar-02	91.0		91.0	824,687,500	
6	2005-10-6.625	8,281,250	15-Sep-01	14-Mar-02	14-Dec-01	15-Mar-02	91.0		91.0	753,593,750	
7	2003-40-4.5	1,125,000	01-Oct-01	31-Mar-02	30-Dec-01	01-Apr-02	91.5		91.5	102,937,500	
8	2035-40-7.25	9,062,500	15-Oct-01	14-Apr-02	13-Jan-02	15-Apr-02	91.5		91.5	829,218,750	
9	2002-7-6.375	7,968,750	15-Oct-01	14-Apr-02	13-Jan-02	15-Apr-02	91.5		91.5	729,140,625	
10	2030-40-7.75	1,661,716	01-Nov-01	30-Apr-02	30-Jan-02	01-May-02	91.0		91.0	151,216,179	
11	2030-40-7.375	2,033,656	01-Nov-01	30-Apr-02	30-Jan-02	01-May-02	91.0		91.0	185,062,719	
12	2004-5-7.20	27,000,000	01-Nov-01	30-Apr-02	30-Jan-02	01-May-02	91.0		91.0	2,457,000,000	
13	2004-11-5.85	2,825,000	01-Nov-01	30-Apr-02	30-Jan-02	01-May-02	91.0		91.0	257,075,000	
14	2026-31-7.20	9,000,000	10-Nov-01	09-May-02	08-Feb-02	12-May-02	93.0		93.0	837,000,000	
15	2043-50-7.125	8,906,250	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	810,468,750	
16	2008-10-5.625	9,000,000	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	819,000,000	
17	2005-12-6.125	4,593,750	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	418,031,250	
18	2003-10-7.10	1,242,500	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	113,067,500	
19	2003-10-7.10	426,000	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	38,766,000	
20	2003-10-7.05	528,750	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	48,116,250	
21	2003-10-6.97	522,750	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	47,570,250	
22	2003-10-6.98	626,400	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	57,002,400	
23	2003-10-6.90	345,000	15-Nov-01	14-May-02	13-Feb-02	15-May-02	91.0		91.0	31,395,000	
24	2031-40-8.875	11,093,750	01-Dec-01	30-May-02	01-Mar-02	01-Jun-02	92.0		92.0	1,020,625,000	
25	2005-39-5.5	11,120,900	01-Dec-01	30-May-02	01-Mar-02	01-Jun-02	92.0		92.0	103,122,800	
26	2002-40-4.5	1,125,000	01-Dec-01	30-May-02	01-Mar-02	01-Jun-02	92.0		92.0	103,500,000	
27	2003-3-7.625	38,125,000	09-Dec-01	09-Jun-02	10-Mar-02	09-Jun-02	91.0		91.0	3,469,375,000	
28	2023-30-7.5	18,150,000	15-Dec-01	14-Jun-02	15-Mar-02	15-Jun-02	91.5		91.5	1,660,725,000	
29	2007-39-6.25	2,803,125	01-Jan-02	30-Jun-02	01-Apr-02	01-Jul-02	91.0		91.0	255,084,375	
30	2007-40-6.00	2,106,000	01-Feb-02	31-Jul-02	02-May-02	01-Aug-02	91.0		91.0	191,646,000	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: January - December, 2002

Type of Item: Debenture Interest

Item No. A	Identification Mat-Yr-Int% B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
31	2002-40-4.375	1,093,750	01-Mar-02	31-Aug-02	31-May-02	01-Sep-02	92.5		92.5	101,171,875	
32	2012-10-8.875	67,671,875	11-Mar-02	15-Sep-02	13-Jun-02	15-Sep-02	94.0		94.0	6,361,156,250	
33	2025-30-7.25	9,062,500	15-Mar-02	14-Sep-02	14-Jun-02	15-Sep-02	92.5		92.5	838,281,250	
34	2005-10-6.625	8,281,250	15-Mar-02	14-Sep-02	14-Jun-02	15-Sep-02	92.5		92.5	766,015,625	
35	2033-40-6.875	34,375,000	15-Mar-02	14-Sep-02	14-Jun-02	15-Sep-02	92.5		92.5	3,179,687,500	
36	2003-40-4.50	4,125,000	01-Apr-02	30-Sep-02	01-Jul-02	01-Oct-02	92.0		92.0	103,500,000	
37	2002-7-6.875	7,968,750	15-Apr-02	14-Oct-02	15-Jul-02	15-Oct-02	92.0		92.0	733,125,000	
38	2035-40-7.25	9,062,500	15-Apr-02	14-Oct-02	15-Jul-02	15-Oct-02	92.0		92.0	833,750,000	
39	2030-40-7.75	1,661,716	01-May-02	31-Oct-02	31-Jul-02	03-Nov-02	94.5		94.5	157,032,186	
40	2030-40-7.325	2,033,656	01-May-02	31-Oct-02	31-Jul-02	03-Nov-02	94.5		94.5	192,180,516	
41	2004-5-7.20	27,000,000	01-May-02	31-Oct-02	31-Jul-02	01-Nov-02	92.5		92.5	2,497,500,000	
42	2004-11-5.65	2,825,000	01-May-02	31-Oct-02	31-Jul-02	03-Nov-02	94.5		94.5	266,962,500	
43	2026-31-7.20	9,000,000	10-May-02	09-Nov-02	09-Aug-02	10-Nov-02	92.5		92.5	832,500,000	
44	2043-60-7.125	8,906,250	15-May-02	14-Nov-02	14-Aug-02	17-Nov-02	94.5		94.5	841,640,625	
45	2008-10-5.625	9,000,000	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	832,500,000	
46	2005-12-6.125	4,593,750	15-May-02	14-Nov-02	14-Aug-02	17-Nov-02	94.5		94.5	434,109,375	
47	2003-10-7.10	1,242,500	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	114,931,250	
48	2003-10-7.10	426,000	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	39,405,000	
49	2003-10-7.05	528,750	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	48,909,375	
50	2003-10-6.97	522,750	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	48,354,375	
51	2003-10-6.96	626,400	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	57,942,000	
52	2003-10-6.90	345,000	15-May-02	14-Nov-02	14-Aug-02	15-Nov-02	92.5		92.5	31,912,500	
53	2031-40-8.875	11,093,750	01-Jun-02	30-Nov-02	31-Aug-02	01-Dec-02	92.0		92.0	1,020,625,000	
54	2008-39-5.5	1,120,900	01-Jun-02	30-Nov-02	31-Aug-02	01-Dec-02	92.0		92.0	103,122,800	
55	2003-3-7.625	38,125,000	09-Jun-02	09-Dec-02	08-Sep-02	09-Dec-02	91.5		91.5	3,488,437,500	
56	2023-30-7.5	18,150,000	15-Jun-02	14-Dec-02	14-Sep-02	15-Dec-02	92.0		92.0	1,669,800,000	
57					00-Jan-00		0.0		0.0	-	
58					00-Jan-00		0.0		0.0	-	
59					00-Jan-00		0.0		0.0	-	
60					00-Jan-00		0.0		0.0	-	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: January - December, 2002

Type of Item: Debenture Interest

Item No. A	Identification Mat-Yr-Int% B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
61					00-Jan-00		0.0		0.0	-	
62					00-Jan-00		0.0		0.0	-	
63					00-Jan-00		0.0		0.0	-	
64					00-Jan-00		0.0		0.0	-	
65					00-Jan-00		0.0		0.0	-	
66					00-Jan-00		0.0		0.0	-	
67					00-Jan-00		0.0		0.0	-	
68					00-Jan-00		0.0		0.0	-	
69					00-Jan-00		0.0		0.0	-	
70					00-Jan-00		0.0		0.0	-	
71					00-Jan-00		0.0		0.0	-	
72					00-Jan-00		0.0		0.0	-	
73											
74	Totals	494,955,720							**92.1**	45,592,154,724	

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 19
Section WS19C1
Area: USWC

Type of Item: Interest on Customer Deposits and Capitalized Leases

Based upon discussions with Monica Jonhart (Augusta Gatewood), in Accounting Standards, there is no consistent method across the regions for booking interest on customer deposits. Some states accrue interest; some do not.

Based upon discussions with Grant Gabrielson, Manager of Omaha CMC, it is the company's policy to refund deposits and pay interest after 12 months of uninterrupted service. If service is interrupted before 12 months have elapsed, the deposit and interest are applied to the final bill.

For these reasons, the lag on payment of customer deposits interest has been set conservatively at 182.5 days.

Total = 182.5

Based upon discussions with Tom Farr in Treasury, the monthly payments associated with capitalized leases are typically paid on the 15th of the month. The lag on capital leases has been therefore been set to equal the check lag.

Prepared by: Don Haack

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 20
Federal Excise Tax
State: Arizona

Study Period: 2003

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Federal Excise	Tax Department	28,306,757	Section WS20A1	31.6	894,493,521
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.	Federal Excise Tax Lag		28,306,757		31.6	894,493,521
11.						
12.						
13.						
14.	CRIS Receivable Lag			Section WS1A1	33.4	
15.	**Total Composite Lag (Federal Excise Tax Lag)**			FET Lag - CRIS Lag	**(1.8)**	

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 20
Section WS20A1
Area: USWC

Study Period: January - December, 2000

Type of Item: Federal Excise Tax

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Wire Transfer I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1		7,655,150	DEC 1, 1999	DEC 15, 1999	8-Dec-99	12-Jan-00	35.0	0.0	35.0	267,930,238.8	
2		7,655,150	DEC 16, 1999	DEC 31, 1999	23-Dec-99	26-Jan-00	33.5	0.0	33.5	256,447,513.9	
3		7,739,007	01-Jan-00	15-Jan-00	8-Jan-00	10-Feb-00	33.0	0.0	33.0	255,387,232.7	
4		7,739,007	16-Jan-00	31-Jan-00	23-Jan-00	25-Feb-00	32.5	0.0	32.5	251,517,728.8	
5		7,700,005	01-Feb-00	15-Feb-00	8-Feb-00	10-Mar-00	31.0	0.0	31.0	238,700,158.7	
6		7,700,005	16-Feb-00	29-Feb-00	22-Feb-00	27-Mar-00	33.5	0.0	33.5	257,950,171.5	
7		7,725,411	01-Mar-00	15-Mar-00	8-Mar-00	12-Apr-00	35.0	0.0	35.0	270,389,395.5	
8		7,725,411	18-Mar-00	31-Mar-00	24-Mar-00	26-Apr-00	32.5	0.0	32.5	251,075,867.3	
9		7,741,211	01-Apr-00	15-Apr-00	8-Apr-00	10-May-00	32.0	0.0	32.0	247,718,739.5	
10		7,741,211	16-Apr-00	30-Apr-00	23-Apr-00	25-May-00	32.0	0.0	32.0	247,718,739.5	
11		7,679,343	01-May-00	15-May-00	8-May-00	12-Jun-00	35.0	0.0	35.0	268,776,989.6	
12		7,679,343	16-May-00	31-May-00	23-May-00	27-Jun-00	34.5	0.0	34.5	264,937,318.3	
13		7,620,567	01-Jun-00	15-Jun-00	8-Jun-00	12-Jul-00	34.0	0.0	34.0	259,099,272.9	
14		7,620,567	16-Jun-00	30-Jun-00	23-Jun-00	26-Jul-00	33.0	0.0	33.0	251,478,705.7	
15		7,693,827	01-Jul-00	15-Jul-00	8-Jul-00	10-Aug-00	33.0	0.0	33.0	253,896,279.5	
16		7,693,827	16-Jul-00	31-Jul-00	23-Jul-00	25-Aug-00	32.5	0.0	32.5	250,049,365.8	
17		7,874,467	01-Aug-00	15-Aug-00	8-Aug-00	12-Sep-00	35.0	0.0	35.0	275,606,359.0	
18		7,674,467	16-Aug-00	31-Aug-00	23-Aug-00	27-Sep-00	34.5	0.0	34.5	264,769,125.0	
19		5,623,818	SEPT 1, 2000	SEPT 11, 2000	6-Sep-00	29-Sep-00	23.0	0.0	23.0	129,347,814.0	
20		1,678,530	Sept 12, 2000	Sept 15, 2000	13-Sep-00	11-Oct-00	27.5	0.0	27.5	46,159,572.8	
21		6,095,169	SEPT 16, 2000	SEPT 30, 2000	23-Sep-00	25-Oct-00	32.0	0.0	32.0	195,045,421.8	
22		5,773,993	OCT 1, 2000	OCT 15, 2000	8-Oct-00	10-Nov-00	33.0	0.0	33.0	190,541,767.7	
23		5,773,993	OCT 16, 2000	OCT 31, 2000	23-Oct-00	28-Nov-00	35.5	0.0	35.5	204,976,750.4	
24		7,846,749	NOV 1, 2000	NOV 15, 2000	8-Nov-00	12-Dec-00	34.0	0.0	34.0	266,789,476.2	
		7,846,749	NOV 16, 2000	NOV 30, 2000	23-Nov-00	28-Dec-00	35.0	0.0	35.0	274,636,225.5	
Total		179,296,976							**31.6**	5,666,310,005	

Provided by Belinda McNutt (303)-850-3946

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 21
Pass Through Taxes
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
	Pass Through Taxes	Tax Department-See "Taxes Billed to Customers				0
1.	Sales Taxes	*in 1997" in Section 20 for amounts.*	81,816,119	Worksheet 21A1	37.1	3,035,378,015
2.	911		10,674,449	Worksheet 21A2	0.0	0
3.	TDD/TRS		6,824,648	Worksheet 21A2	45.8	312,568,878
4.						0
5.						0
6.						0
7.	Total		99,315,216			3,347,946,893
8.						0
9.						0
10.	Pass Through Tax Lag				33.7	0
11.						0
12.						0
13.						0
14.	CRIS Receivable Lag			Section 1A	33.4	
15.	***Total Composite Lag (Sales Tax)***		Sales Tax Lag - CRIS		**0.3**	

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 21
Section WS21A2
State: Arizona

Study Period: January - December, 2002

Type of Item: Sales Tax (Account 4010.284)

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
	Sales (Account 4010.2841)						0.0	9.3	9.3	0	
1	Monthly	7,838,707	01-Dec-01	31-Dec-01	16-Dec-01	14-Jan-02	29.0	9.3	38.3	300,222,486	
2	Monthly	7,598,720	01-Jan-02	31-Jan-02	16-Jan-02	12-Feb-02	27.0	9.3	36.3	275,833,552	
3	Monthly	8,158,171	01-Feb-02	03-Mar-02	16-Feb-02	14-Mar-02	26.0	9.3	35.3	287,983,446	
4	Monthly	7,706,968	01-Mar-02	31-Mar-02	16-Mar-02	14-Apr-02	29.0	9.3	38.3	295,176,873	
5	Monthly	7,679,966	01-Apr-02	30-Apr-02	15-Apr-02	11-May-02	25.5	9.3	34.8	267,262,828	
6	Monthly	7,432,007	01-May-02	31-May-02	16-May-02	15-Jun-02	30.0	9.3	39.3	292,077,859	
7	Monthly	3,828,157	01-Jun-02	30-Jun-02	15-Jun-02	15-Jul-02	29.5	9.3	38.8	148,532,474	
8	Monthly	7,436,575	01-Jul-02	31-Jul-02	16-Jul-02	12-Aug-02	27.0	9.3	36.3	269,947,655	
9	Monthly	7,382,026	01-Aug-02	31-Aug-02	16-Aug-02	15-Sep-02	30.0	9.3	39.3	290,113,637	
10	Monthly	14,639,616	01-Sep-02	30-Sep-02	15-Sep-02	14-Oct-02	28.5	9.3	37.8	553,377,503	
11	Monthly	7,255,469	01-Oct-02	31-Oct-02	16-Oct-02	15-Nov-02	30.0	9.3	39.3	285,139,936	
12	Monthly	7,354,207	01-Nov-02	30-Nov-02	15-Nov-02	14-Dec-02	28.5	9.3	37.8	277,989,022	
13							0.0	9.3	9.3	0	
14	Monthly		01-Dec-99	31-Dec-99	16-Dec-99		29.0	9.3	38.3	0	
15	Monthly		01-Jan-00	31-Jan-00	16-Jan-00		27.0	9.3	36.3	0	
16	Monthly		01-Feb-00	02-Mar-00	16-Feb-00		27.0	9.3	36.3	0	
17	Monthly		01-Mar-00	31-Mar-00	16-Mar-00		29.0	9.3	38.3	0	
18	Monthly		01-Apr-00	30-Apr-00	15-Apr-00		25.5	9.3	34.8	0	
19	Monthly		01-May-00	31-May-00	16-May-00		30.0	9.3	39.3	0	
20	Monthly	3,516,274	01-Jun-02	30-Jun-02	15-Jun-02	30-Jun-02	14.5	9.3	23.8	83,687,310	
21	Monthly		01-Jul-00	31-Jul-00	16-Jul-00		27.0	9.3	36.3	0	
22	Monthly		01-Aug-00	31-Aug-00	16-Aug-00		30.0	9.3	39.3	0	
23	Monthly		01-Sep-00	30-Sep-00	15-Sep-00		28.5	9.3	37.8	0	
24	Monthly		01-Oct-00	31-Oct-00	16-Oct-00		30.0	9.3	39.3	0	
25	Monthly		01-Nov-00	30-Nov-00	15-Nov-00		28.5	9.3	37.8	0	
26						22-Oct-97	35,725.0	9.3	35,734.3	0	
27						19-Nov-97	35,753.0	9.3	35,762.3	0	
28						19-Nov-97	35,753.0	9.3	35,762.3	0	
29						19-Dec-97	35,783.0	9.3	35,792.3	0	
30						22-Dec-97	35,786.0	9.3	35,795.3	0	
31						19-Dec-97	35,783.0	9.3	35,792.3	0	
32	**Sales Tax Lag**	97,826,863							**37.1**	3,627,344,580	

Information provided by: Kris Wallack (303)-850-3985

Cash Working Capital Lag Studies
Detail Analysis

Study Period: January - December, 2002

Type of Item: E911 and TDD

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Check Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
	TDD (Acct. 4010.2860)										
1	Monthly		01-Dec-99	31-Dec-99	16-Dec-99	1/21/2000	36.7	9.3	46.0	0	
2	Monthly		01-Jan-00	31-Jan-00	16-Jan-00	2/18/2000	33.7	9.3	43.0	0	
3	Monthly		01-Feb-00	02-Mar-00	16-Feb-00	3/22/2000	35.6	9.3	44.9	0	
4	Monthly		01-Mar-00	31-Mar-00	16-Mar-00	4/13/2000	28.7	9.3	38.0	0	
5	Monthly		01-Apr-00	30-Apr-00	15-Apr-00	5/20/2000	35.2	9.3	44.5	0	
6	Monthly		01-May-00	31-May-00	16-May-00	6/20/2000	35.7	9.3	45.0	0	
7	Monthly		01-Jun-00	30-Jun-00	15-Jun-00	7/25/2000	40.2	9.3	49.5	0	
8	Monthly		01-Jul-00	31-Jul-00	16-Jul-00	8/19/2000	34.7	9.3	44.0	0	
9	Monthly		01-Aug-00	31-Aug-00	16-Aug-00	9/20/2000	35.7	9.3	45.0	0	
10	Monthly		01-Sep-00	30-Sep-00	15-Sep-00	10/19/2000	34.2	9.3	43.5	0	
11	Monthly		01-Oct-00	31-Oct-00	16-Oct-00	11/14/2000	29.8	9.3	39.1	0	
12	Monthly		01-Nov-00	30-Nov-00	15-Nov-00	12/14/2000	29.2	9.3	38.5	0	
13	**TDD Lag**	0							**=ROUND(K23/C23,1)**	0	
	E911 (4010.287)										
14	Monthly	1,641,505	01-Dec-01	31-Dec-01	16-Dec-01	26-Jan-02	41.0	9.3	50.3	82,567,696	
15	Monthly	1,643,895	01-Jan-02	31-Jan-02	16-Jan-02	24-Feb-02	39.0	9.3	48.3	79,400,152	
16	Monthly	1,626,274	01-Feb-02	03-Mar-02	16-Feb-02	24-Mar-02	36.0	9.3	45.3	73,670,221	
17	Monthly	1,622,175	01-Mar-02	31-Mar-02	16-Mar-02	19-Apr-02	34.0	9.3	43.3	70,240,186	
18	Monthly	1,596,084	01-Apr-02	30-Apr-02	15-Apr-02	16-May-02	30.5	9.3	39.8	63,524,130	
19	Monthly	1,571,072	01-May-02	31-May-02	16-May-02	22-Jun-02	37.0	9.3	46.3	72,740,626	
20	Monthly	1,573,823	01-Jun-02	30-Jun-02	15-Jun-02	27-Jul-02	41.5	9.3	50.8	79,950,218	
21	Monthly	1,559,265	01-Jul-02	31-Jul-02	16-Jul-02	19-Aug-02	34.0	9.3	43.3	67,516,187	
22	Monthly	1,553,683	01-Aug-02	31-Aug-02	16-Aug-02	22-Sep-02	37.0	9.3	46.3	71,935,545	
23	Monthly	1,546,566	01-Sep-02	30-Sep-02	15-Sep-02	21-Oct-02	35.5	9.3	44.8	69,286,164	
24	Monthly	1,550,622	01-Oct-02	31-Oct-02	16-Oct-02	21-Nov-02	36.0	9.3	45.3	70,243,181	
25	Monthly	1,545,244	01-Nov-02	30-Nov-02	15-Nov-02	22-Dec-02	36.5	9.3	45.8	70,772,160	
26	**E911 Lag**	19,030,209							**45.8**	871,846,467	

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 23
Deposit/Check Lag
Area: **USWC**

Study Period: 1994 & 2002

Line No.	Component A	Source B	Source D	Lag E
1.	Deposit - USWC	Treasury Department	Section 23	**0.8**
2.				
3.	Check - USWC RAP	Treasury Department	Section 23	**9.3**
4.				
5.	Check - USWC Payroll	Treasury Department	Section 23	**7.7**
6.				
7.	Wire - USWC	Treasury Department	Section 23	**0.0**
8.				
9.				
10.				

QWEST CORPORATION
Cash Working Capital Lag Studies
Detail Analysis

Worksheet 23
Section WS23A1
Area: USWC

Study Period: April, May, June, 2002

Type of Item: Deposit Lag

Item No.	Description A	April B	May C	June D	Total E=B+C+D
1	*Average Ledger Balance*	64,856,954	60,437,776	57,421,270	182,716,001
2	Average Uncollected Balance	49,614,079	47,044,287	45,478,671	142,137,037
3	Lag (Line 2/ Line1)	0.8	0.8	0.8	**0.8**

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 24
Salaries and Wages
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Salary Only	Line f, below	247,478,295	Section 24	15.1	3,736,922,256
2.	Team Awards	Line e, below	10,795,294	3/10/2002 Paymt	251.0	2,709,618,678
3.	Current Compensated Absences	Line c, below * 0.0 / 10	0	Section 24	15.1	0
4.	Accrued Compensated Absences	Line c, below * 10.0 / 10	16,713,199		22.7	378,865,333
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Salaries and Wages)**		274,986,788		**24.8**	6,825,406,267

a.	Total Salary and Wages	Worksheets 6 through 9 and 11 through 13	274,986,788
b.	Compensated Absences Percent 2002		6.08%
c.	Compensated Absences Amount (a * b)		16,713,199
d.	Team Award Percent 2003		3.93%
e.	Team Award Amount (a * d)		10,795,294
f.	Salary Only (a - c - e)		247,478,295

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 25
Benefits
State: USWC

Study Period: Amounts are 2003 YTD

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Pensions	EXTC 744	(106,710,975)	See note.	0.0	0
2.	Savings Plan Contributions	EXTC 748	44,793,278	Section 25B	12.5	559,915,975
3.	Group Life Insurance	EXTCs 773 & 776 }	258,376,422	Section 28	0.0	0
4.	Medical Insurance	EXTCs 773 & 776 }		Section 28	0.0	0
5.	Dental Insurance	EXTCs 773 & 776 }		Section 28	0.0	0
6.	Vision Plan	EXTCs 773 & 776 }		Section 28	0.0	0
7.	FICA	EXTC 752	134,107,030	Section 25E	18.5	2,480,980,055
8.	FUTA	EXTC 751	2,073,981	Section 25F	(46.8)	(96,983,789)
9.	SUTA	EXTC 754	8,413,893	Section 25G	7.1	59,738,640
10.	OPEBS					0
11.						0
12.						0
13.	Medical claims paid from operations		116,152,798		0.0	0
14.						0
15.	**Total Composite Lag (Benefits)**		457,206,427		**6.6**	3,003,650,881

Cash Working Capital Lag Studies
Detail Analysis

Study Period: November 2001

Type of Item: Savings Plans

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Lag (Wire) I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1		2,639,888.20	21-Oct-01	03-Nov-01	27-Oct-01	09-Nov-01	12.5	0.0	12.5	32,998,602.50	
2		3,805,141.59	28-Oct-01	10-Nov-01	03-Nov-01	16-Nov-01	12.5	0.0	12.5	47,564,269.88	
3		2,615,621.63	04-Nov-01	17-Nov-01	10-Nov-01	23-Nov-01	12.5	0.0	12.5	32,695,270.38	
4		3,727,274.68	11-Nov-01	24-Nov-01	17-Nov-01	30-Nov-01	12.5	0.0	12.5	46,590,933.50	
		12,787,926.10							**12.5**	159,849,076.25	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: CY 2001

Type of Item: FICA/MEDI

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Lag (Wire) I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1		###########	17-Sep-00	30-Sep-00	23-Sep-00	10-Oct-00	16.5	0.0	16.5	60,778,591.67	
2		###########	24-Sep-00	07-Oct-00	30-Sep-00	16-Oct-00	15.5	0.0	15.5	46,484,810.16	
3		###########	01-Oct-00	14-Oct-00	07-Oct-00	23-Oct-00	15.5	0.0	15.5	58,477,831.46	
4		###########	08-Oct-00	21-Oct-00	14-Oct-00	30-Oct-00	15.5	0.0	15.5	50,992,025.09	
5		###########	15-Oct-00	28-Oct-00	21-Oct-00	06-Nov-00	15.5	0.0	15.5	65,801,391.74	
6		###########	22-Oct-00	04-Nov-00	28-Oct-00	13-Nov-00	15.5	0.0	15.5	55,009,153.58	
7		###########	29-Oct-00	11-Nov-00	04-Nov-00	20-Nov-00	15.5	0.0	15.5	56,175,634.91	
8		###########	05-Nov-00	18-Nov-00	11-Nov-00	27-Nov-00	15.5	0.0	15.5	46,397,207.26	
9		###########	12-Nov-00	25-Nov-00	18-Nov-00	04-Dec-00	15.5	0.0	15.5	57,263,944.47	
10		###########	19-Nov-00	02-Dec-00	25-Nov-00	11-Dec-00	15.5	0.0	15.5	45,492,785.67	
11		###########	25-Nov-00	08-Dec-00	01-Dec-00	18-Dec-00	16.5	0.0	16.5	58,104,712.71	
12		###########	03-Dec-00	16-Dec-00	09-Dec-00	26-Dec-00	16.5	0.0	16.5	38,942,675.81	
13		###########	10-Dec-00	23-Dec-00	16-Dec-00	02-Jan-01	16.5	0.0	16.5	64,077,809.40	
14		###########	17-Dec-00	30-Dec-00	23-Dec-00	01/08/2001	15.5	0.0	15.5	137,481,544.59	
15		###########	23-Dec-00	05-Jan-01	29-Dec-00	01/16/2001	17.5	0.0	17.5	110,112,864.93	
16		###########	24-Dec-00	06-Jan-01	30-Dec-00	01/16/2001	16.5	0.0	16.5	150,806,198.57	
17		###########	31-Dec-00	13-Jan-01	06-Jan-01	01/22/2001	15.5	0.0	15.5	149,620,380.75	
18		###########	06-Jan-01	19-Jan-01	12-Jan-01	01/29/2001	16.5	0.0	16.5	127,124,580.17	
19		###########	07-Jan-01	20-Jan-01	13-Jan-01	01/29/2001	15.5	0.0	15.5	176,377,367.50	
20		###########	14-Jan-01	27-Jan-01	20-Jan-01	02/05/2001	15.5	0.0	15.5	146,813,799.78	
21		###########	15-Jan-01	28-Jan-01	21-Jan-01	05/07/2001	105.5	0.0	105.5	984,383,660.46	
22		###########	20-Jan-01	02-Feb-01	26-Jan-01	02/12/2001	16.5	0.0	16.5	254,991,564.96	
23		###########	21-Jan-01	03-Feb-01	27-Jan-01	02/12/2001	15.5	0.0	15.5	150,043,866.94	
24		###########	28-Jan-01	10-Feb-01	03-Feb-01	02/20/2001	16.5	0.0	16.5	152,059,828.14	
25		###########	03-Feb-01	16-Feb-01	09-Feb-01	02/26/2001	16.5	0.0	16.5	121,831,644.83	
26		###########	04-Feb-01	17-Feb-01	10-Feb-01	02/26/2001	15.5	0.0	15.5	152,607,652.66	
27		###########	11-Feb-01	24-Feb-01	17-Feb-01	03/05/2001	15.5	0.0	15.5	152,921,518.82	
28		###########	17-Feb-01	02-Mar-01	23-Feb-01	03/12/2001	16.5	0.0	16.5	114,216,415.67	
29		###########	18-Feb-01	03-Mar-01	24-Feb-01	03/12/2001	15.5	0.0	15.5	154,536,654.16	
30		###########	25-Feb-01	10-Mar-01	03-Mar-01	03/19/2001	15.5	0.0	15.5	191,009,846.14	

Study Period: CY 2001

Type of Item: FICA/MEDI

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Lag (Wire) I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
31		###########	03-Mar-01	16-Mar-01	09-Mar-01	03/26/2001	16.5	0.0	16.5	188,983,959.29	
32		###########	04-Mar-01	17-Mar-01	10-Mar-01	03/26/2001	15.5	0.0	15.5	144,796,036.75	
33		###########	11-Mar-01	24-Mar-01	17-Mar-01	04/02/2001	15.5	0.0	15.5	161,312,905.88	
34		###########	17-Mar-01	30-Mar-01	23-Mar-01	04/09/2001	16.5	0.0	16.5	87,513,005.58	
35		###########	18-Mar-01	31-Mar-01	24-Mar-01	04/09/2001	15.5	0.0	15.5	145,250,816.51	
36		###########	25-Mar-01	07-Apr-01	31-Mar-01	04/16/2001	15.5	0.0	15.5	140,419,855.87	
37		###########	31-Mar-01	13-Apr-01	06-Apr-01	04/23/2001	16.5	0.0	16.5	89,387,452.94	
38		###########	01-Apr-01	14-Apr-01	07-Apr-01	04/23/2001	15.5	0.0	15.5	149,239,050.83	
39		###########	08-Apr-01	21-Apr-01	14-Apr-01	04/30/2001	15.5	0.0	15.5	161,593,341.18	
40		###########	14-Apr-01	27-Apr-01	20-Apr-01	05/07/2001	16.5	0.0	16.5	88,684,367.81	
41		###########	22-Apr-01	05-May-01	28-Apr-01	05/14/2001	15.5	0.0	15.5	142,030,124.21	
42		###########	28-Apr-01	11-May-01	04-May-01	05/21/2001	16.5	0.0	16.5	216,865,270.22	
43		###########	29-Apr-01	12-May-01	05-May-01	05/21/2001	15.5	0.0	15.5	150,975,362.69	
44		###########	12-May-01	25-May-01	18-May-01	06/04/2001	16.5	0.0	16.5	91,286,213.70	
45		###########	13-May-01	26-May-01	19-May-01	06/04/2001	15.5	0.0	15.5	144,971,887.50	
46		(1,398.75)	19-May-01	01-Jun-01	25-May-01	06/11/2001	16.5	0.0	16.5	(23,079.38)	
47		###########	20-May-01	02-Jun-01	26-May-01	06/11/2001	15.5	0.0	15.5	76,762,321.37	
48		270,155.79	22-May-01	22-May-01	22-May-01	05/24/2001	2.0	0.0	2.0	540,311.58	
49		76,920.68	23-May-01	23-May-01	23-May-01	05/29/2001	6.0	0.0	6.0	461,524.08	
50		###########	24-May-01	24-May-01	24-May-01	05/30/2001	6.0	0.0	6.0	63,075,737.40	
51		953,772.61	25-May-01	25-May-01	25-May-01	05/30/2002	370.0	0.0	370.0	352,895,865.70	
52		###########	26-May-01	08-Jun-01	01-Jun-01	06/18/2001	16.5	0.0	16.5	92,825,643.90	
53		###########	27-May-01	09-Jun-01	02-Jun-01	06/18/2001	15.5	0.0	15.5	150,854,519.27	
54		###########	29-May-01	29-May-01	29-May-01	05/31/2001	2.0	0.0	2.0	8,122,432.68	
55		###########	03-Jun-01	16-Jun-01	09-Jun-01	06/25/2001	15.5	0.0	15.5	143,384,767.79	
56		515,839.27	05-Jun-01	05-Jun-01	05-Jun-01	06/07/2001	2.0	0.0	2.0	1,031,678.54	
57		88,501.89	08-Jun-01	08-Jun-01	08-Jun-01	06/14/2001	6.0	0.0	6.0	531,011.34	
58		###########	09-Jun-01	22-Jun-01	15-Jun-01	07/02/2001	16.5	0.0	16.5	91,844,953.04	
59		###########	10-Jun-01	23-Jun-01	16-Jun-01	07/02/2001	15.5	0.0	15.5	171,936,389.50	
60		9,893.89	13-Jun-01	13-Jun-01	13-Jun-01	06/18/2001	5.0	0.0	5.0	49,469.45	

Study Period: CY 2001

Type of Item: FICA/MEDI

Item No. A	Identification B	Amount C	Applicable Period From D	Applicable Period To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Lag (Wire) I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
61		45,717.82	15-Jun-01	15-Jun-01	15-Jun-01	06/21/2001	6.0	0.0	6.0	274,306.92	
62		###########	17-Jun-01	30-Jun-01	23-Jun-01	07/09/2001	15.5	0.0	15.5	139,240,886.35	
63		19,666.52	20-Jun-01	20-Jun-01	20-Jun-01	06/25/2001	5.0	0.0	5.0	98,332.60	
64		###########	24-Jun-01	07-Jul-01	30-Jun-01	07/16/2001	15.5	0.0	15.5	234,050,257.46	
65		11,094.52	30-Jun-01	13-Jul-01	06-Jul-01	07/23/2001	16.5	0.0	16.5	183,059.58	
66		###########	01-Jul-01	14-Jul-01	07-Jul-01	07/23/2001	15.5	0.0	15.5	137,437,558.38	
67		###########	07-Jul-01	20-Jul-01	13-Jul-01	07/30/2001	16.5	0.0	16.5	91,847,176.08	
68	[redacted]	###########	[redacted]	21-Jul-01	14-Jul-01	07/30/2001	15.5	0.0	15.5	185,161,440.08	
69		151,603.20	09-Jul-01	09-Jul-01	09-Jul-01	07/11/2001	2.0	0.0	2.0	303,206.40	
70		23,505.57	15-Jul-01	15-Jul-01	15-Jul-01	07/19/2001	4.0	0.0	4.0	94,022.28	
71	[redacted]	###########	[redacted]	28-Jul-01	21-Jul-01	08/06/2001	15.5	0.0	15.5	139,369,636.79	
72		###########	21-Jul-01	03-Aug-01	27-Jul-01	08/13/2001	16.5	0.0	16.5	171,817,827.72	
73	[redacted]	###########	[redacted]	04-Aug-01	28-Jul-01	08/13/2001	15.5	0.0	15.5	151,607,993.33	
74	[redacted]	###########	[redacted]	11-Aug-01	04-Aug-01	08/20/2001	15.5	0.0	15.5	139,125,634.08	
75		###########	04-Aug-01	17-Aug-01	10-Aug-01	08/27/2001	16.5	0.0	16.5	97,862,765.06	
76		###########	05-Aug-01	18-Aug-01	11-Aug-01	08/27/2001	15.5	0.0	15.5	151,700,653.57	
77		20,060.44	06-Aug-01	06-Aug-01	06-Aug-01	08/09/2001	3.0	0.0	3.0	60,181.32	
78		###########	12-Aug-01	25-Aug-01	18-Aug-01	09/04/2001	16.5	0.0	16.5	175,352,640.71	
79		106,303.35	14-Aug-01	14-Aug-01	14-Aug-01	08/16/2001	2.0	0.0	2.0	212,606.70	
80		(3,701.11)	15-Aug-01	28-Aug-01	21-Aug-01	08/27/2001	5.5	0.0	5.5	(20,356.11)	
81		###########	18-Aug-01	31-Aug-01	24-Aug-01	09/10/2001	16.5	0.0	16.5	83,578,721.33	
82		###########	19-Aug-01	01-Sep-01	25-Aug-01	09/10/2001	15.5	0.0	15.5	152,567,550.13	
83		###########	26-Aug-01	08-Sep-01	01-Sep-01	09/17/2001	15.5	0.0	15.5	140,263,538.22	
84		###########	02-Sep-01	15-Sep-01	08-Sep-01	09/24/2001	15.5	0.0	15.5	228,682,754.71	
85		###########	09-Sep-01	22-Sep-01	15-Sep-01	10/01/2001	15.5	0.0	15.5	179,932,952.96	
86		1,230.37	21-Sep-01	21-Sep-01	21-Sep-01	09/27/2001	6.0	0.0	6.0	7,382.22	
87		9,914.52	22-Sep-01	05-Oct-01	28-Sep-01	08/27/2001	(32.5)	0.0	(32.5)	(322,221.90)	
88		10,652.70	22-Sep-01	05-Oct-01	28-Sep-01	08/30/2001	(29.5)	0.0	(29.5)	(314,254.65)	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: CY 2001

Type of Item: FICA/MEDI

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Lag (Wire) I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
58	Total	385,807,435.23							**18.5**	7,124,710,348.10	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: CY 2001

Type of Item: FUTA

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Lag (Wire) I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1		58,296.49	01-Jan-00	31-Dec-00	01-Jul-00	30-Jan-01	212.5	0.0	212.5	12,388,004.13	
2		2,505,898.79	01-Jan-01	31-Dec-01	02-Jul-01	27-Apr-01	(66.0)	0.0	(66.0)	(165,389,320.14)	
3		163,489.89	01-Jan-01	31-Dec-01	02-Jul-01	30-Jul-01	28.0	0.0	28.0	4,577,716.92	
4		125,155.53	01-Jan-01	31-Dec-01	02-Jul-01	30-Oct-01	120.0	0.0	120.0	15,018,663.60	
		2,852,840.70							**(46.8)**	(133,404,935.50)	

Cash Working Capital Lag Studies
Detail Analysis

Study Period: CY 2001

Type of Item: SUTA

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Draft Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
1	Arizona	3,869.31	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	855,891.37	
2		162,465.47	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(8,984,340.49)	
3		14,113.23	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	517,955.54	
4		11,897.45	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	1,531,201.82	
5	Colorado	10,014.95	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	2,215,306.94	
6		179,051.35	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(9,901,539.66)	
7		26,179.28	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	960,779.58	
8		7,443.18	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	957,937.27	
9	Idaho	5,702.51	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	1,261,395.21	
10		23,413.38	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(1,294,759.91)	
11		26,375.97	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	967,998.10	
12		9,845.50	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	1,267,115.85	
13	Iowa	14,300.38	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	3,163,244.06	
14		163,683.46	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(9,051,695.34)	
15		72,383.94	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	2,656,490.60	
16		19,670.16	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	2,531,549.59	
17	Minnesota	43,187.03	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	9,552,971.04	
18		501,242.88	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(27,718,731.26)	
19		272,463.03	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	9,999,393.20	
20		46,395.32	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	5,971,077.68	
21	Montana	1,310.31	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	289,840.57	
22		7,444.66	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(411,689.70)	
23		5,002.63	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	183,596.52	
24		703.33	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	90,518.57	
25	Nebraska	148.75	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	32,903.50	
26		5,321.94	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(294,303.28)	
27		270.36	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	9,922.21	
28		334.79	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	43,087.47	

Study Period: CY 2001

Type of Item: SUTA

Item No. A	Identification B	Amount C	Applicable Period From D	To E	Mid-Point of Period F=(D+E)/2	Date Paid G	Elapsed Days H=G-F	Deposit Draft Lag I	Total Lag Days J=H+I	Dollar Days K=C*J	Remarks L
29	New Mexico	556.16	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	123,022.59	
30		15,564.13	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(860,696.39)	
31		2,491.42	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	91,435.11	
32		1,017.59	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	130,963.83	
33	North Dakota	432.89	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	95,755.27	
34		16,667.37	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(921,705.56)	
35		4,425.75	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	162,425.03	
36		1,007.93	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	129,720.59	
37	Oregon	87,387.95	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	19,330,214.54	
38		524,134.46	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(28,984,635.64)	
39		377,594.32	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	13,857,711.54	
40		94,351.17	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	12,142,995.58	
41	South Dakota	4,493.77	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	994,021.92	
42		0.00	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	0.00	
43		0.00	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	0.00	
44		0.00	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	0.00	
45	Utah	4.69	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	1,037.43	
46		56,977.26	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(3,150,842.48)	
47		48,565.91	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	1,782,368.90	
48		8,756.50	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	1,126,961.55	
49	Washington	160,368.61	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	35,473,536.53	
50		1,473,376.57	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(81,477,724.32)	
51		1,196,077.45	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	43,896,042.42	
52		327,989.24	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	42,212,215.19	
53	Wyoming	678.55	01-Jan-00	31-Dec-00	01-Jul-00	01/31/2001	213.5	7.7	221.2	150,095.26	
54		16,975.01	01-Jan-01	31-Dec-01	02-Jul-01	04/30/2001	(63.0)	7.7	(55.3)	(938,718.05)	
55		5,308.94	01-Jan-01	31-Dec-01	02-Jul-01	07/31/2001	29.0	7.7	36.7	194,838.10	
56		2,792.74	01-Jan-01	31-Dec-01	02-Jul-01	10/31/2001	121.0	7.7	128.7	359,425.64	
		6,062,230.93							7.1	43,323,581.62	

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 26
Rent
State: Arizona

Study Period: March, April, May, 1993

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Direct Rents	Section 26C	36,224,188	Section 26A	9.9	358,619,461
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	Total Composite Lag (Rents)		36,224,188		9.9	358,619,461

Cash Working Capital Lag Studies
Detail Analysis

Worksheet 26
Section WS26A1
Area: USWC

Study Period: March, April, May 1993

Type of Item: Rent

Item No.	Identification	Amount	Applicable Period From	Applicable Period To	Mid-Point of Period	Date Paid	Elapsed Days	Deposit Lag (Wire)	Total Lag Days	Dollar Days	Remarks
A	B	C	D	E	F=(D+E)/2	G	H=G-F	I	J=H+I	K=C*J	L

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 27
Miscellaneous Vouchers
State: Arizona

Study Period: April, May June 1994

Line No.	Component A	Check Figure B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Miscellaneous Vouchers		23,014,868	Section 27	35.5	817,027,814
2.						0
3.						0
4.						0
5.						0
6.						0
7.						0
8.						0
9.						0
10.						0
11.						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag (Miscellaneous Vouchers/Other)**		23,014,868		**35.5**	817,027,814

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 28
Average Benefits Summary
State: Arizona

Study Period: Amounts are 2003 YTD

Line No.	Component A	Source B	Amount C	Source D	Lag E	Dollar Days F = C x E
1.	Average Accrued Medical	Section 28A}	(2,266,837)			0
2.	Average Accrued Group Life	Section 28A}				0
3.	Average Accrued Dental	Section 28A}				0
4.	Average Accrued Vision	Section 28A}				0
5.	Average OPEB Liability	Section 28C				
6.	Average U S Savings Bonds	Section 28E	0			0
7.						0
8.						0
9.						0
10.						0
11..						0
12.						0
13.						0
14.						0
15.	**Total Composite Lag**		(2,266,837)		**0.0**	0

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 28
Section WS28A1
State: Arizona

Study Period: 2003

Type of Item: Average Medical, Dental, Vision, and Group Life Expense Liability

Month A	USWC Combined Bal. Acct. 4130.2 B	Arizona Prorate C	Arizona Combined Balance D=B*C	ntrastate % E	Average Arizona Intrastate Liability F=D*E	Percent Expensed G	Average Intrastate Expense Liability H=F*G
January	(14,836,036)	0.17011	(2,523,758)				
February	(12,869,794)	0.17011	(2,189,281)				
March	(50,473,957)	0.17011	(8,586,125)				
April	(27,885,378)	0.17011	(4,743,582)				
May	(28,319,217)	0.17011	(4,817,382)				
June	(27,286,811)	0.17011	(4,641,759)				
July	(24,904,897)	0.17011	(4,236,572)				
August	(23,111,951)	0.17011	(3,931,574)				
September	(21,014,025)	0.17011	(3,574,696)				
October	(16,550,050)	0.17011	(2,815,329)				
November	(16,784,067)	0.17011	(2,855,138)				
December	(33,054,266)	0.17011	(5,622,861)				
Total	(297,090,447)	0.17011	(50,538,057)				
Average	(24,757,537)		(4,211,505)	67.74%	(2,852,873)	79.46%	(2,266,837)

Source: CWCBAL98

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 28
Section WS28E1
State: Arizona

Study Period: 2003

Type of Item: Average U S Savings Bonds

Month A	USWC Combined Bal. Acct. 4010.2533 B	Arizona Prorate C	Arizona Combined Balance D=B*C	Intrastate % E	Average Arizona Intrastate Liability F=D*E	Percent Expensed G	Average Intrastate Expense Liability H=F*G
January	0	0.17011	0				
February	0	0.17011	0				
March	0	0.17011	0				
April	0	0.17011	0				
May	0	0.17011	0				
June	0	0.17011	0				
July	0	0.17011	0				
August	0	0.17011	0				
September	0	0.17011	0				
October	0	0.17011	0				
November	0	0.17011	0				
December	0	0.17011	0				
Total	0	0.17011	0				
Average	0		0	67.74%	0	79.46%	0

QWEST CORPORATION
Cash Working Capital Lag Studies

Worksheet 28
Section WS28A2

Study Period: 2003

Calculation of Intrastate %

	Total State A	Intrastate B	Intrastate % C=B/A
Total Cost of Service	438,222,773	267,735,581	
- Access Expense	36,516,760	9,040,968	
+ Customer Operations	233,943,587	164,980,653	
+ Corporate Operations	255,296,558	179,838,586	
Total	890,946,158	603,513,852	67.74%

Reconcile to 1990s

Miscellaneous Common Inputs
Arizona 1
State: Arizona
Accounting Center: Arizona/New Mexico

Qwest Corporation
Cash Working Capital Lag Studies

PRORATE TABLE

	Arizona	Colorado	Idaho Nort	Idaho South	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon
Jan-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Feb-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Mar-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Apr-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
May-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Jun-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Jul-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Aug-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Sep-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Oct-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Nov-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891
Dec-03	0.17011	0.17877	0.00152	0.02923	0.05832	0.12871	0.02003	0.03063	0.05162	0.01191	0.07891

	Arizona	Colorado	Idaho Nort	Idaho South	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon
	1	2	3	4	5	6	7	8	9	10	11
Arizona	0.17011	0.17011	0.17011	0.17011	0.17011	0.17011	0.17011	0.17011	0.17011	0.17011	
Colorado	0.17877	0.17877	0.17877	0.17877	0.17877	0.17877	0.17877	0.17877	0.17877	0.17877	
Idaho North	0.00152	0.00152	0.00152	0.00152	0.00152	0.00152	0.00152	0.00152	0.00152	0.00152	
Idaho South	0.02923	0.02923	0.02923	0.02923	0.02923	0.02923	0.02923	0.02923	0.02923	0.02923	
Iowa	0.05832	0.05832	0.05832	0.05832	0.05832	0.05832	0.05832	0.05832	0.05832	0.05832	
Minnesota	0.12871	0.12871	0.12871	0.12871	0.12871	0.12871	0.12871	0.12871	0.12871	0.12871	
Montana	0.02003	0.02003	0.02003	0.02003	0.02003	0.02003	0.02003	0.02003	0.02003	0.02003	
Nebraska	0.03063	0.03063	0.03063	0.03063	0.03063	0.03063	0.03063	0.03063	0.03063	0.03063	
New Mexico	0.05162	0.05162	0.05162	0.05162	0.05162	0.05162	0.05162	0.05162	0.05162	0.05162	
North Dakota	0.01191	0.01191	0.01191	0.01191	0.01191	0.01191	0.01191	0.01191	0.01191	0.01191	
Oregon	0.07891	0.07891	0.07891	0.07891	0.07891	0.07891	0.07891	0.07891	0.07891	0.07891	
South Dakota	0.01517	0.01517	0.01517	0.01517	0.01517	0.01517	0.01517	0.01517	0.01517	0.01517	
Utah	0.06483	0.06483	0.06483	0.06483	0.06483	0.06483	0.06483	0.06483	0.06483	0.06483	
Washington	0.14343	0.14343	0.14343	0.14343	0.14343	0.14343	0.14343	0.14343	0.14343	0.14343	
Wyoming	0.01681	0.01681	0.01681	0.01681	0.01681	0.01681	0.01681	0.01681	0.01681	0.01681	

1.00000

Federal Excise and other flow through taxes paid during 2002

	az	co	ip	id	ia	mn	mt	ne	nm	nd	or
	Arizona	Colorado	Idaho Nort	Idaho South	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon
Fed Ex	28,306,757	30,073,025	320,575	5,685,556	9,031,856	18,711,979	4,294,969	4,423,973	9,612,532	2,022,638	13,209,360
Sales	81,816,119	78,875,350	5,308	35,362	19,092,223	50,312,121	-	11,069,145	24,826,249	4,209,287	-
911	10,674,449	14,596,335	309,514	4,788,592	4,420,727	6,396,160	1,906,460	2,353,263	4,460,440	1,365,658	9,763,052
TRS	6,824,648	2,535,210	-	-	-	2,068,184	380,780	271,139	1,154,308	96,399	-
TAP	-	-	-	-	-	1,009,792	-	-	-	-	-
900X	-	-	-	-	-	-	5,984,428	-	-	-	1,652,773
	127,621,973	126,079,920	635,397	10,509,510	32,544,806	78,498,236	12,566,637	18,117,520	40,053,529	7,693,982	24,625,185

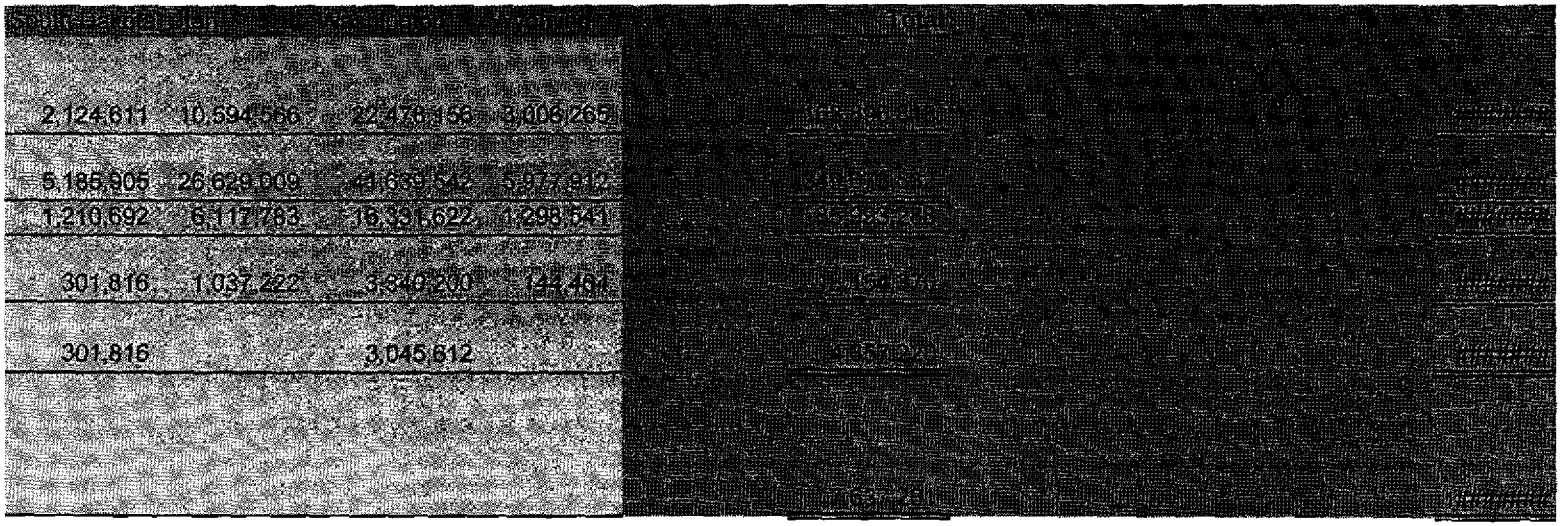
2003 Data	Arizona	Colorado	Idaho Nort	Idaho South	Iowa	Minnesota	Montana	Nebraska	New Mexico	North Dakota	Oregon
Federal Excise Tax	28,306,757	30,073,025	320,575	5,685,556	9,031,856	18,711,979	4,294,969	4,423,973	9,612,532	2,022,638	13,209,360
Sales Tax	81,816,119	78,875,350	5,308	35,362	19,092,223	50,312,121		11,069,145	24,826,249	4,209,287	
911 Tax	10,674,449	14,596,335	309,514	4,788,592	4,420,727	6,396,160	1,906,460	2,353,263	4,460,440	1,365,658	9,763,052
TRS/TDD Tax	6,824,648	2,535,210				2,068,184	380,780	271,139	1,154,308	96,399	
TAP Tax						1,009,792					
Excise (Mn 1300 Tax 1061 & 900 Tax 1010)							5,984,428				1,652,773

South Dakota	Utah	Washington	Wyoming	
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000
0.01517	0.06483	0.14343	0.01681	1.00000

South Dakota	Utah	Washington	Wyoming
12	13	14	15

0.17011	0.17011	0.17011	Arizona	1
0.17877	0.17877	0.17877	Colorado	2
0.00152	0.00152	0.00152	Idaho North	13
0.02923	0.02923	0.02923	Idaho South	3
0.05832	0.05832	0.05832	Iowa	8
0.12871	0.12871	0.12871	Minnesota	9
0.02003	0.02003	0.02003	Montana	4
0.03063	0.03063	0.03063	Nebraska	10
0.05162	0.05162	0.05162	New Mexico	5
0.01191	0.01191	0.01191	North Dakota	11
0.07891	0.07891	0.07891	Oregon	14
0.01517	0.01517	0.01517	South Dakot	12
0.06483	0.06483	0.06483	Utah	6
0.14343	0.14343	0.14343	Washington	15
0.01681	0.01681	0.01681	Wyoming	7

sd	ut	wa	wy	
South Dakota	Utah	Washington	Wyoming	
2,124,611	10,594,566	22,478,156	3,006,265	163,896,818
5,185,905	26,629,009	41,639,542	5,977,912	349,673,532
1,210,692	6,117,783	16,331,622	1,298,541	85,993,288
301,816	1,037,222	3,340,200	144,464	18,154,370
301,816	-	3,045,612	-	4,357,220
-	-	-	-	7,637,201
9,124,840	44,378,580	86,835,132	#########	629,712,429



QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-05

Arizona Corporation Commission
Docket No.
Title: Pension Asset
Time: 9:07 AM
Date: 5/14/2004
Adj. # PFR-05

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Pension Asset

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	0
Total Operating Income Taxes	0
Net Operating Income	0
Rate Base	97,377
Revenue Requirement	18,373

This adjustment adds the company's prepaid investments in pension benefits into the rate base calculation.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 9:07 AM
PFR-05

		Pension Asset
Revenues		
1	Local Service Revenues	0
2	Network Access Service Revenues	0
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	*Total Oper. Rev. (L1 thru L4)*	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	0
23	Income From Operations (L5-L22)	0
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	0
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	0
26	**Net Operating Income (L23-L24-L25)**	0
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	0
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	0
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	97,377
43	**End-of-Period Rate Base**	97,377
	(L34+L35+L36+L37-L38-L39-L40-L41+L42)	

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
PENSION ASSET

(A) Line #	(B) Description	(C) Source	(D) Amount
1	Other Noncurrent Assets, Prepaid Pension & Death Benefits (A/C 1410.1)	Ledger	140,446,339
2	Less: Other Long-term Liabilities, Service Pensions and Death Benefits (A/C 4310.1)	Ledger	(1,132,624)
3	Total Pension Asset	L1+L2	139,313,715
4	Intrastate Factor	Test Year	69.90%
5	**Intrastate Amount**	**L3xL4**	**97,377,083**

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-06

Arizona Corporation Commission
Docket No.
Title: Remove 1991 Merger Cost
Time: 10:44 AM
Date: 5/14/2004
Adj. # PFR-06

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Remove 1991 Merger Cost

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	(14)
Total Operating Income Taxes	12
Net Operating Income	2
Rate Base	0
Revenue Requirement	(4)

In Docket No E1051-89-311, the Arizona Corporation Commission disallowed planning and implementation costs associated with the merger of Mountain States Telephone Company into its parent company, US West. These costs are currently being amortized over the 21 year period from 1990 through and including 2010. This adjustment removes the intrastate portion of those amortized costs, consistent with the Commission's order.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 10:44 AM
PFR-06

		Remove 1991 Merger Cost
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	
19	Depreciation Expense	(14)
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(14)
23	Income From Operations (L5-L22)	14
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	10
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	2
26	**Net Operating Income (L23-L24-L25)**	2
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	2
30	Interest Expense	(16)
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	***Net Income (L29-L30-L31-L32)***	18
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Removal of 1991 Merger Cost

Line #	Description	Source	Bondholder Costs (Acct 7530)	Solicitation Costs (Acct 6564)
1	Remaining Unamortized Balance, 1990	Records	3,563,000	2,893,000
2	Arizona State Portion at Inception	Records	12.97%	13.07%
3	Total Arizona Unamortized Balance, 1990	L1xL2	462,121	378,115
4	Amortization Period (Years)	Records	21	21
5	Annual Amortization Expense	L3/L4	22,006	18,005
6	Years Elapsed, 1990 - 2002	Records	13	13
7	Accumulated Amortization, 12/31/2002	L5/L6	286,078	234,065
8	Remaining Unamortized Balance, 1/1/2003	L3-L7	176,043	144,050
9	Amortization Expense, 2003	L5	22,006	18,005
10	Remaining Unamortized Balance, 1/1/2004	L8-L9	154,037	126,045
11	Intrastate Factor	Records	71.97%	76.82%
12	**Removal of Intrastate Amortization Expense, 2003**	-L9xL11	**(15,839)**	**(13,832)**

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-07

Arizona Corporation Commission
Docket No.
Title: Charitable Contributions
Time: 10:45 AM
Date: 5/14/2004
Adj. # PFR-07

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Charitable Contributions

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	(974)
Total Operating Income Taxes	382
Net Operating Income	592
Rate Base	0
Revenue Requirement	(999)

This adjustment eliminates 2003 Contributions and Qwest Foundation expenses billed to QC by QSC.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 10:45 AM
PFR-07

		Charitable Contributions
Revenues		
1	Local Service Revenues	0
2	Network Access Service Revenues	0
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	(974)
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	(974)
18	Other Operating Income & Expense	
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	(974)
23	Income From Operations (L5-L22)	974
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	319
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	63
26	**Net Operating Income (L23-L24-L25)**	592
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	592
30	Interest Expense	
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	592
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	0

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
CONTRIBUTIONS DISALLOWANCE

(A) Line #	(B) Description	(C) Source	(D) Amount
Expenses			
1	External Relations Expense 6722.3 (RC INC05300000)	Focexec	(7,233,673)
2	Arizona Prorate Factor	Records	0.1701
3	Arizona Expense	L1xL2	(1,230,520)
4	Intrastate Factor	Records	79.15%
5	**Total Contributions Expense**	L3xL4	**(973,972)**

Qwest Corporation
2003 Contributions and Qwest Foundation Expenses

RC	Acct	Month	Amount
INC05300000	67223000	1	12,130.42
INC05300000	67223000	2	(22,601.08)
INC05300000	67223000	3	1,775,000.00
INC05300000	67223000	4	73,604.74
INC05300000	67223000	5	22,710.65
INC05300000	67223000	6	1,836,701.40
INC05300000	67223000	7	14.57
INC05300000	67223000	8	6.25
INC05300000	67223000	9	1,775,008.74
INC05300000	67223000	10	6.37
INC05300000	67223000	11	(13,908.95)
INC05300000	67223000	12	1,775,000.00
			7,233,673.11

QWEST CORPORATION

ARIZONA INTRASTATE OPERATIONS

Arizona Corporation Commission R-14-2-103

Docket No. T-0105B-03-0454

Test Year Ending December 31, 2003

Appendix A

Adjustment # PFR-08

Arizona Corporation Commission
Docket No.
Title: Customer Deposits
Time: 10:49 AM
Date: 5/14/2004
Adj. # PFR-08

Qwest Corporation

Arizona Intrastate Operations
Ratemaking Adjustment

Customer Deposits

Test Year Ending December 31, 2003

$(000)

Operating Revenues	0
Operating Expenses	198
Total Operating Income Taxes	(22)
Net Operating Income	(176)
Rate Base	(891)
Revenue Requirement	129

This adjustment assumes that ending period customer deposits will be available during the test period as a source of capital funding.

QWEST CORPORATION
ARIZONA INTRASTATE OPERATIONS
Test Year Ending December 31, 2003
(IN THOUSANDS OF DOLLARS)

Date: 5/14/2004
Time: 10:49 AM
PFR-08

		Customer Deposits
Revenues		
1	Local Service Revenues	
2	Network Access Service Revenues	
3	Long Distance Network Service Rev.	
4	Miscellaneous	
5	Total Oper. Rev. (L1 thru L4)	0
Expenses		
6	Maintenance	
7	Engineering Expense	
8	Network Operations	
9	Network Administration	
10	Access Expense	
11	Other	
12	Total Cost of Services & Products(L6 thru L11)	0
13	Customer Operations	
14	Corporate Operations	
15	Property & Other Taxes	
16	Uncollectibles	
17	Tot Selling, General & Admin.(L13 thru L16)	0
18	Other Operating Income & Expense	198
19	Depreciation Expense	
20	Universal Service Fund	
21	Link Up America	
22	Total Operating Expense(L12+L17 thru L21)	198
23	Income From Operations (L5-L22)	(198)
Taxes		
24	Federal Income Tax (L23-L30) x Eff FIT Rate	(18)
25	State & Local Income Tax (L23-L30) x Eff SIT Rate	(4)
26	**Net Operating Income (L23-L24-L25)**	(176)
Other		
27	Nonoperating Income & Expense	
28	Nonoperating Income Tax	
29	Net Operating Earnings (L26-L27-L28)	(176)
30	Interest Expense	(142)
31	Juris Diff & Nonreg Net Income	
32	Extraordinary Items	
33	**Net Income (L29-L30-L31-L32)**	(34)
Rate Base		
34	Telephone Plant In Service	
35	Short-Term Plant Under Contruction	
36	Materials and Supplies	
37	Allowance for Cash Working Capital	
38	Accumulated Depreciation & Amortization Reserve	
39	Accumulated Deferred Income Tax	
40	Customer Deposits	891
41	Land Development Agreement Deposits	
42	Other Assets & Liabilities	
43	**End-of-Period Rate Base** (L34+L35+L36+L37-L38-L39-L40-L41+L42)	(891)

QWEST CORPORTION
ARIZONA INTRASTATE OPERATIONS
Adjustment For Customer Deposits

Line #	Description	Source	Amount
Rate Base Reduction			
1	Customer Deposits, end of period	GL, Acct 4040	3,299,146
2	Intrastate Factor	Test Year	72.9946%
3	Intrastate Portion	L1xL2	2,408,198
4	**Deduction from Rate Base**	L1-L3	**890,948**
Net Operating Income			
5	Customer Deposits, end of period	L1	3,299,146
6	Customer Deposit Rate	Ex Price Cap Tariff, Section 2.3.3	6.0%
7	*Annualized Interest Paid on Deposits*	*L5xL6*	**197,949**
8	Intrastate Factor	Test Year	71.9739%
9	**Addition to Interest Expense**	-L7xL8	**(142,472)**

Revised Price Cap Plan

Qwest - Arizona
Terms, Conditions and Operation of the Revised Price Cap Plan

1) Baskets
   a) Basket 1: Basic/Essential Non-competitive Services
   b) Basket 2: Wholesale Services
   c) Basket 3: Flexibly-Priced Competitive Services

2) Basket 1: Basic/Essential Non-competitive Services
   a) A list of the individual services in Basket 1 is appended hereto as Exhibit 1.
   b) Cap on Basket 1.
      i) The services in Exhibit 1 are those services that are subject to a basket-level revenue cap during the period of the Renewed Price Cap Plan. Revenue neutral filings for services within Basket 1 are allowed with notice to the Commission.
      ii) Changes to Terms and Conditions of services in Basket 1 shall be submitted to the Commission for Staff review and approval.
      iii) Non-revenue neutral price increases for Basket 1 services require approval from the Commission.

Competitive Areas

iv) Qwest is allowed under the Renewed Price Plan to make filings supporting its evidence showing that telephone services are competitive in a specific geographic relevant market area (i.e., a *Competitive Zone*).[1] Upon application by Qwest and a showing of competition within specific wire centers or geographic subset thereof, whether or not from certificated providers, the Commission may designate each such wire center or geographic subset thereof as a Competitive Zone.[2] To the extent competition is present in an entire exchange, all wire centers in that exchange will be classified as a Competitive Zone. Upon application the Commission will respond within 30 calendar days. If the Commission does not object to Qwest's showing, formal approval is not required. The identified area will automatically become a competitive zone on the 31st calendar day. If objections are raised, or additional information is required, the Commission shall issue a formal notice

[1] R-14-2-1102 "Relevant Market" Where buyers and sellers of a specific service or product, or a *group of services or products*, come together to engage in transactions. For telecommunications services "Relevant Market" may be identified on a service-by-service basis, a *group basis*, and/or by *geographical location*. (emphasis added)

[2] A "Competitive Zone" is defined as a Qwest wire center in which competition is demonstrably present. Upon such demonstration, the services in each Competitive Zone will be classified as Basket 3 services. Prices may vary between Competitive Zones for Qwest retail services and will be governed by competitive market forces. However, identical pricing will be available to all similarly situated customers within a Competitive Zone for the same services ordered, unless services are ordered on a contractual basis.

of such. The completion of the entire process is to be finalized within 90 calendar days of the application.

v) Qwest shall file a tariff that identifies the maximum rate for each of its services available in the competitive zone.

vi) The determination of whether competitors exist in the Competitive Zone will be based on the following information:
   (1) A competitor has facilities in place and is marketing or offering services in competition with Qwest; or,
   (2) A competitor is marketing or offering services through the provision of unbundled network elements provided by Qwest; or,
   (3) A competitor is marketing or offering services through the resale of Qwest's service

vii) Those identified services offered within Competitive Zones will automatically move from Basket 1 to Basket 3 at the time the Competitive Zone is established. (See Section 4. Basket 3 Competitive Zones).

3) Basket 2: Wholesale Services
   a) The services in Basket 2 at the Renewed Price Cap Plan's inception include: Intrastate Carrier Switched Access, Discounted Wholesale Offerings, Unbundled Network Element (UNE) Offerings, Wholesale services such as PAL, and all other wholesale offerings unless specifically listed in Exhibits 1 or 3 as included in Baskets 1 or 3. A list of wholesale services, with the exception of UNEs, included in Basket 2 at the Renewed Price Cap Plan's inception is contained in Exhibit 2.
   b) Basket 2 consists of wholesale services which are governed by their own specific pricing rules and will continue to be governed by such rules, as interpreted by the Commission and the Courts, under this Renewed Price Cap Plan.
   c) UNEs and discounted Wholesale Offerings are priced based on the provisions of the Telecommunications Act of 1996 (1996 Act), FCC implementing regulations and Commission rules.
   d) Basket 2 service prices are capped for the term of the Renewed Price Cap Plan, or until the specific pricing rules are changed or the Commission determines that other prices are appropriate.

4) Basket 3: Flexibly-Priced Retail Competitive Services
   a) This Basket includes only those services that have been accorded pricing flexibility or have been determined by the Commission to be competitive under A.A.C. R14-2-1108, the Competitive Zone determination, new services, and all service packages offered by Qwest. A list of services included in Basket 3 at the inception of this Renewed Price Cap Plan is appended hereto as Exhibit 3.
   b) Pricing flexibility provides Qwest the ability to package services, flexibly price within competitive zones, and rapidly change prices within Commission pre-approved ranges.
   c) The Commission's existing rules (A.A.C. R14-2-1109) will apply to Basket 3 services. For example, rules which prohibit cross-subsidization of competitive

services (Basket 3) by non-competitive services (Baskets 1 and 2) shall continue to apply to all services offered by the Company under this Renewed Price Cap Plan. In addition, those rules will apply to the maximum rates for services in this basket. Individual service and package prices must provide revenues in excess of the service's or package's TSLRIC, unless a different cost standard applicable to all telecommunications service providers is determined appropriate by the Commission.

Packages/New Services

a) Any new services and all service packages offered by Qwest shall be subject to the prior review and approval of the Commission, as provided in subpart b) below, except new services or packages introduced within Competitive Zones (see Competitive Zones section below).
b) Any services in Basket 1 may be the components of any package that would be offered in Basket 3. Each Basket 1 service that is included in a package offered in Basket 3 shall continue to be offered in its current form in Basket 1 as of the commencement of the Renewed Price Cap Plan. Any new services proposed to be included in Basket 3, shall be submitted at least thirty days in advance of the proposed effective date of the tariff of the new package or service and shall be subject to Commission consideration as provided in A.R.S. § 40-250. The price of the new package or service shall exceed the TSLRIC of the package or service and comply with the imputation requirements of A.A.C. R14-2-1310(c).

Competitive Zones

a) Upon approval of the Competitive Zone, Qwest will file information in its Price Lists sufficient to identify the wire centers or geographic subsets thereof included in the approved competitive zone.
b) Within the parameters established by the maximum price levels,[3] Qwest will be able to:
   i) Change prices, terms, and conditions for services upon concurrent, written notice of the change to the Commission. Formal Commission approval is not required. Prices will be available to all similarly-situated customers within the zone.
   ii) Implement promotional offerings/discounts on services without formal Commission approval. This will encompass limited duration as well as permanent programs designed to attract customers or increase customer awareness of a particular offering. Qwest will notify the Commission of promotional offerings/discounts concurrent with implementation.
   iii) Offer incentives designed to attract and/or retain customers. Offers will be available on a non-discriminatory basis to similarly-situated customers within the competitive zone.

[3] Pursuant to R-14-2-1110.

iv) Package, bundle, and/or price services on a customer-specific basis. Offers will be available on a non-discriminatory basis to similarly-situated customers within the competitive zone.
v) Enter into individual contracts with customers that provide for prices different than those that appear in the Competitive Zone price list.
vi) Introduce new services upon 30 day written notification to the Commission prior to the availability of the new service to Qwest retail customers.

c) Offerings and prices may vary between competitive zones. Qwest will maintain prices for services in each Competitive Zone in its filed Price List.

5) Term of the Renewed Price Cap Plan
   a) The Renewed Price Cap Plan will become effective upon entry of a Commission Order approving the Plan. The Plan will continue in effect unless terminated by Order of the Commission following notice and a hearing under A.R.S. § 40-252. On the third anniversary of the approval of the Plan and each three year anniversary thereafter, Qwest, Staff, and other interested parties may propose revisions to the Price Cap Plan for review by the Commission.

6) Applicability of Commission Rules
   a) Unless expressly provided herein, this Renewed Price Cap Plan is not intended to alter or eliminate the application of current Commission rules and orders to Qwest.
   b) Nothing in this Renewed Price Cap Plan is intended to change or modify in any way the imputation requirements contained in A.A.C. R14-2-1310.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF QWEST CORPORATION'S FILING OF RENEWED PRICE REGULATION PLAN	)	DOCKET NO. T-01051B-03-0454
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS	)	DOCKET NO. T-00000D-00-0672

DIRECT TESTIMONY

OF

PETER C. CUMMINGS

QWEST CORPORATION

May 20, 2004

TESTIMONY OF PETER C. CUMMINGS
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EXECUTIVE SUMMARY

1. Current Responsibilities:

My name is Peter C. Cummings and my business address is 1600 Bell Plaza, Room 3005, Seattle, Washington 98191. I am employed by Qwest Corporation (QC) as Director – Finance.

My job responsibilities include financial analysis of capital costs and capital structure of Qwest Corporation. I develop cost of capital estimates for company cost studies, capital budgeting, and economic analysis. I also testify in state proceedings on rate of return, capital structure, and other financial issues.

2. Purpose of Testimony:

I am appearing before the Arizona Corporation Commission to present an analysis of the cost of capital and capital structure for Qwest Corporation (QC). The purpose of my testimony is to provide the fair rate of return on equity and total

capital for QC in connection with QC's R14-2-103 filing ordered by the Commission in Decision No. 66772.

3. Summary of Testimony:

Capital Structure and Cost of Debt

QC's Arizona capital structure relates the sources of investor financing to the assets used to provide telephone service in Arizona and should be utilized in determining the company's revenue requirement. The current capital structure is 75.2% debt and 24.8% equity. The embedded cost of debt financing for Arizona is 7.81%.

QC's capital structure is substantially more leveraged than industry and comparable risk companies. The relatively small proportion of equity financing in QC's capital structure requires an equity return that is substantially greater than industry and comparable risk company averages. Consistent with financial and economic theory relating risk and return, my testimony provides a quantitative assessment of the increased equity return required for investment in the highly leveraged QC.

Fair Return on Equity Capital

I have conducted an analysis using DCF and CAPM methods to estimate the market required return on equity for proxy groups of companies as the first step in estimating the cost of equity capital for QC. The second step adjusts the proxy groups market required return to match the increased leverage of QC's capital structure. A reasonable range of market required equity return estimates for these proxy groups of companies, reflecting their business and financial risks is 11.2% to 11.7%.

Because of the great difference in capital structure between QC and the proxy group companies, financial theory tells us that QC has a greater market required return than the proxy group companies. Using a well known financial procedure to quantitatively adjust observed market required return data to account for capital structure differences, I removed the effect of debt financing or leverage from the proxy groups equity return estimates and then added the effect of actual debt financing or leverage at QC. Adjusted for it's high percentage of debt to equity capital, the market required return for equity investment in QC is 21.4%

Conclusion

The conclusion of my testimony is that a fair return on the equity capital invested in Arizona is 21.4%. My specific recommendation is a fair return on equity capital of 21.4% be utilized in connection with QC's R14-2-103 filing.

When combined with the Company's capital structure and debt costs, the overall return requirement for a fair return on invested capital in Arizona is 11.18%

IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT POSITION.

A. My name is Peter C. Cummings and my business address is 1600 Bell Plaza, Room 3005, Seattle, Washington 98191. I am employed by Qwest Corporation (QC) as Director - Finance.

Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

A. My responsibilities include financial analysis of capital costs and capital structure of QC. I develop cost of capital estimates for company cost studies, capital budgeting, and economic analysis. I also testify in state proceedings on rate of return, capital structure, and other financial issues.

Q. PLEASE DESCRIBE YOUR WORK EXPERIENCE.

A. I began my career at Northwestern Bell in 1969 and have held positions in Operator Services, Marketing, and Finance departments. Since 1984 my job responsibilities have been focused on cost of capital and rate of return.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND OTHER QUALIFICATIONS.

A. I received my B.A. degree from Bemidji State College in Minnesota. I have a Master of Public Administration Degree from the University of Oklahoma and

a Master of Business Administration Degree from Creighton University in Omaha, Nebraska. I am a Chartered Financial Analyst (CFA) and a member of the Association for Investment Management and Research (AIMR), the Financial Management Association (FMA), and the Seattle Society of Financial Analysts.

Q. IN WHAT REGULATORY PROCEEDINGS HAVE YOU TESTIFIED?

A. I have testified before the Arizona Commission and in other jurisdictions and dockets as shown in Appendix I.

PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present QC's cost of capital and regulatory capital structure in connection with the R14-2-103 filing in this proceeding.

COST OF CAPITAL

Cost of Capital Defined

Q. WHAT IS THE COST OF CAPITAL?

A. The **cost of capital** is the expected rate of return that the capital markets require in order to attract funds to a particular investment. In economic

terms, the cost of capital is an *opportunity cost* – that is, the cost of foregoing the next best alternative investment. The cost of capital is always an *expected return*. There are several key points embedded in this definition:

1. The cost of capital is a rate of return **expected by investors**. For debt capital, which has precise terms and conditions, the expected return can be directly observed in the yield provided by the bond or debt security. For equity capital, the expected return cannot be directly observed and must be estimated. The risk of ownership, which comes with equity investment, is sometimes called the "residual risk" which means that only after all other creditors have been paid do equity owners receive a return. That is why the return expected by equity investors is significantly greater than the return expected by debt investors.

2. The cost of capital is determined in **capital markets** such as the New York Stock Exchange and NASDAQ and data from capital markets is essential for estimating the cost of capital.

3. The cost of capital depends upon the return offered by **alternative investments of equivalent risk**. Consideration of these investment alternatives and risks are part of the evidence that needs to be examined.

The cost of capital is an opportunity cost, which is determined in the capital markets, and depends upon the risk of the investment.

Q. WHY IS THE COST OF CAPITAL IMPORTANT?

A. The cost of capital has a crucial role in guiding the investment decisions of all companies. To conduct business, companies have real assets, such as machinery, equipment, distribution networks, computers, vehicles and buildings. All of these operating assets need to be financed. Companies sell financial assets or securities such as stocks, bonds, leases, bank loans, etc. to fund operational assets. The risk associated with a company's business is reflected in the return it must provide to holders of its financial assets.

Fair Return Concepts

Q. PLEASE EXPLAIN THE CONCEPT OF A FAIR RATE OF RETURN.

A. For a company with operations subject to regulation, the actions of regulatory authorities responsible for setting prices to be charged for services provided by the company are intended to substitute for the actions and effects of a fully competitive market. In order to set the prices to be charged, the regulators must take into account the concept of a "fair return" to investors supplying capital to the regulated company.

Q. HOW DOES THE CONCEPT OF A FAIR RATE OF RETURN INVOLVE A BALANCE BETWEEN NEEDS OF INVESTORS AND CUSTOMERS?

A. Investors provide capital with the expectation of receiving a return on their investment, commensurate with risks involved. Investors make and continue holding only those investments which are expected to provide returns that meet or exceed their required returns. In order to attract capital, companies must provide investors with returns equal to or exceeding their required return. The return that must be provided to investors supplying capital is an important cost of doing business. At the same time, customers want services that meet their needs at prices they are willing to pay. Companies must raise capital to finance the plant and equipment used to provide services to customers. Regulated companies are dependent on regulators to set an allowed rate of return which is reflected in the prices they may charge for services provided to customers. The allowed rate of return is not a guaranteed return, it is simply an opportunity to earn that amount. A regulated company may actually earn more or less than the allowed return depending upon the demand for its services and the efficiency of its operations. In addition, regulatory imputations and disallowances can affect a company's ability to achieve the investors' expected return.

Q. WHAT IS THE LEGAL BASIS FOR A FAIR RETURN?

A. The foundation for determining a fair return for regulated companies was clearly established by the U. S. Supreme Court in Federal Power Commission

v. Hope Natural Gas Company 320 U.S. 591 (1944) and Bluefield Water Works & Improvement Co. v. Public Service Commission of the State of West Virginia, 262 U.S. 679 (1923).

These court decisions provide two standards for a fair and reasonable return:

1. The ability or opportunity to earn returns commensurate with those of other firms having corresponding risks.

2. The allowed return should be sufficient to assure confidence in the financial integrity of the company in order to maintain and support creditworthiness and the ability to attract capital on reasonable terms.

Q. WHAT IS THE RELATIONSHIP BETWEEN A FAIR RETURN AND THE COST OF CAPITAL?

A. A fair return allowed by the regulatory body will allow the regulated company the opportunity to earn a return on its assets equal to its weighted cost of equity and debt capital.

Market Focus

Q. HOW CAN A FAIR RETURN BE ESTABLISHED?

A. The concepts of a fair return and legal interpretations of what constitutes a fair and reasonable return for regulated companies point to the capital markets as the focus for determining a fair return. A fair return depends upon the risk of the firm, comparable investments in other firms, and creditworthiness and economic conditions. Financial and economic theory tells us that a fair return for a company is equal to the market required return for the company's securities plus the costs of issuing those securities. Where all of these factors come together is in the capital markets.

The focus of any cost of capital analysis must be on the marketplace and the actions of investors. Publicly held companies, both regulated and unregulated, compete for investors' capital. Today's capital markets provide a myriad of investment alternatives to the investor, including government securities, stocks, bonds, real estate, precious metals, mutual funds, derivative securities, and others. The markets are dynamic and the returns required for security investments change according to financial and economic conditions.

RISK

Q. WHAT IS RISK?

A. Risk is uncertainty about a future outcome or event. In the investment context, risk is uncertainty about the expected rate of return. Risk and

expected returns are related. The higher the risk, the higher the expected return. Investors typically segment the total risk into business risk and financial risk. Business risk is uncertainty in operating sales, cash flow, and earnings and is related to the industry, the overall economy, and to the company itself. In addition, the variability in operating earnings is affected by the firm's operating leverage which is the mix of fixed and variable costs. QC has a much greater proportion of fixed costs (i.e. high operating leverage) and thus any change in operating sales or revenues results in a larger change in operating earnings.

Financial risk is additional risk or uncertainty to the investor caused by debt financing of the company or the investment. Financial risk increases as the amount of fixed debt financing or leverage increases. The more debt in a company's capital structure, the greater the financial risk.

QC has very high financial risk; that is, its capital structure has a much greater proportion of debt capital than equity capital. Compared to other telephone companies and other companies with comparable business risks, QC has a much greater proportion of debt in its capital structure.

Q. WHAT ARE THE BUSINESS RISKS FACING QC?

A. As part of the telecommunications industry, QC faces the risks of facilities based and resale competition by competitive local exchange and interexchange carriers, loss of market share to new technologies such as

wireless (both mobile and fixed), Satellite, Internet (VOIP), and cable TV telephony. When looking at the total market for communications, including wireless, cable telephony, and wireline competitors, QC estimates that it serves less than half of the total market in its local service area. QC also has the risk of technological obsolescence of its operating plant, and like all businesses, bears economic risks related to the health and growth of the U.S. economy. Regulatory risks for local exchange carriers are very significant due to the complexity and magnitude of state and federal public policy issues.

Business risks for QC and other local exchange carriers are increasing. Standard & Poor's credit rating service recently placed the regional Bell operating companies on CreditWatch with negative implications, stating that:

> "Changing wireline industry dynamics and lack of clarity regarding key regulatory and competitive issues have materially increased the business risk environment for the regional Bell operating companies (RBOCs)"

S&P indicated that while the RBOCs maintain dominant market shares in most of their wireline sectors, it is clear that their business positions have weakened in recent years and will continue to be under increasing competitive pressure:

> "The main challenge to the RBOCs' historical core business are threefold: (1) continued loss of access lines to wholesale lessors; (2) wireless substitution; and (3) cable telephony."
> (Standard & Poor's Ratings Direct, "Verizon joins SBC and BellSouth on Watch Negative Due to Industry Concerns" March 26, 2004)

Q. WHAT IS THE IMPACT OF COMPETITION ON QC'S COST OF CAPITAL?

A. QC's local exchange operations are capital intensive and have high operating leverage. What this means is that the company has a high level of fixed costs and even small losses in revenues are magnified into larger impacts on bottom line profitability. Competitive entrants are targeting high revenue/high profit margin customer accounts. As these customers leave Qwest's network and low or negative profit margin customers are retained, profit margins shrink dramatically and business risk increases significantly. Likewise, sales volatility leads to a larger corresponding volatility in profit margins. The impacts of competition thus magnify business risks for QC and increase the company's cost of capital.

CAPITAL STRUCTURE

Importance of Capital Structure

Q. WHY IS CAPITAL STRUCTURE AN IMPORTANT ISSUE?

A. Capital structure is important because it is a key determinant of the total risk inherent in the firm.

Investors in a firm are exposed to both business risk and financial risk. Business risk comes from the risks of the overall economy and the industry in which the firm operates, the firm's position within the industry, competition,

government regulation, etc. Financial risk is introduced by financial leverage as reflected in the mix of equity and debt financing and the cost to service debt.

Capital structure is comprised of equity (owners' capital), and debt (borrowed capital). Debt capital in the form of bonds and notes is obtained with a contract stating that interest will be paid in fixed amounts on fixed dates and that the principal will be paid back to the investor at a stated maturity date in the future. The payments to debt investors are constant. In good times and bad, the bondholders must be paid first. The return to equity investors varies with the firm's profitability and comes only after bondholders have been paid.

As debt obligations increase, more of the company's revenues are committed to repay fixed interest costs. This reduces the safety margin, or interest coverage, and increases the risk exposure to both debt and equity investors. As risks faced by investors increase, both require a higher return on their investment -- bondholders require a higher coupon rate and stockholders require a greater expected return. As the debt ratio increases, the interest rate required by bondholders increases and the equity investors bid down the price of the stock to increase the market required rate of return.

Q. WHAT CAPITAL STRUCTURE SHOULD BE USED IN SETTING RATES?

A. The financially and economically correct method for estimating a company's overall cost of capital uses market value weights for debt and equity, but book value capital structure weights have been traditionally used in ratemaking for practical and procedural reasons. Book value capital structure data specified by FCC prescribed accounting procedures and reported in annual "Form M" reports and company "Monthly Reports" (MR) is the best book value data available for purposes of computing capital structure weights for rate base, rate of return regulation.

The Company's actual book value capital structure, specifically that which reflects the equity and debt financing used to provide telephone service in Arizona, should be used in setting rates.

QC Has More Leverage Than Comparable Firms

Q. HOW DOES QC'S CAPITAL STRUCTURE COMPARE TO OTHER TELEPHONE COMPANIES AND COMPARABLE FIRMS?

A. As shown in Exhibit PCC-7, QC is capitalized with 75.2% debt and 24.8% equity. Exhibit PCC-3 shows that the telephone company group of companies has average debt of 26.4% and average equity of 73.6%. From the same exhibit, we see that the comparable risk firms have average debt of 7.9% and equity of 92.1%. QC has substantially more debt leverage in its

capital structure and has substantially greater financial risk than the telephone companies and comparable firms.

Q. HOW DOES QC'S CAPITAL STRUCTURE AFFECT ITS COST OF EQUITY CAPITAL?

A. QC's capital structure is substantially more leveraged than industry and comparable risk companies. The relatively small proportion of equity financing in QC's capital structure requires an equity return that is substantially greater than industry and comparable risk company averages.

Arizona Capital Structure

Q. PLEASE EXPLAIN HOW YOU COMPUTED THE ACTUAL QC CAPITAL STRUCTURE FOR ARIZONA.

A. The capital structure for QC Arizona is the QC total company financing of debt and equity from the regulatory (MR) accounting records allocated to the Arizona jurisdiction based on the net plant in service in Arizona. This allocated capital structure fairly and accurately represents the financing of the rate base serving Arizona customers. The Arizona capital structure is detailed in Exhibit PCC-7.

COST OF DEBT

Q. HOW IS THE EMBEDDED COST OF DEBT DETERMINED?

A. The embedded cost of debt is the weighted average of all of the interest rates related to debt outstanding divided by the book balance of debt outstanding. The cost of debt also includes amortization of discounts, premiums, and issuance expenses. Just as depreciation expense recovers the cost of an asset over its life, this amortization expense recovers the costs associated with a bond over the term of the bond.

Q. WHAT IS THE EMBEDDED COST OF DEBT FOR ARIZONA?

A. As shown in Exhibit PCC-7, the embedded cost of QC debt financing allocated to Arizona as of the end of the test period, December 31, 2003, is 7.81%.

COST OF EQUITY

The Market Required Return on Equity

Q. WHAT IS THE MARKET REQUIRED RATE OF RETURN ON EQUITY?

A. The market required return is the return demanded by equity investors. These investors set the price for equity capital through their actions in the marketplace. Investors set return requirements according to their perception of risk inherent in the enterprise, recognizing opportunity costs of foregone

investments in other enterprises, and returns available from other investments of comparable risk.

The huge numbers of both investors and investment opportunities coupled with the ability to transmit and receive information almost instantaneously worldwide creates very liquid and very efficient capital markets. The actions of investors buying and selling securities in the capital markets determines the market required return on equity capital.

Q. CAN THE MARKET REQUIRED RETURN ON EQUITY BE DETERMINED PRECISELY?

A. No. In contrast to debt capital which carries precise terms and conditions and thus has precise measurements of the market required return, equity capital bears the corporation's residual risk and lacks those precise terms and conditions. The market required return for equity capital must be estimated from financial market information and the application of financial models.

Estimating the Market Required Return

Q. PLEASE EXPLAIN YOUR APPROACH TO ESTIMATING QC'S MARKET REQUIRED RETURN ON EQUITY CAPITAL.

A. My estimation of market required return on equity utilizes Discounted Cash Flow (DCF) and Capital Asset Pricing Model (CAPM) methodologies applied to two proxy groups of companies.

The company groups chosen as proxies for QC are publicly traded companies with operations in the local exchange telephone services industry, and a group of other companies with risks comparable to QC.

I believe that relying upon data for a single company or a single method to estimate the market required return weakens the reliability of the estimate. All estimation processes involve error, and the objective of making the best possible estimate is to minimize the error -- that is, to have the greatest confidence that the estimate is both valid and reliable. Using the industry peer group and a group of comparable risk companies in the analysis minimizes the potential for estimation error.

Q. WHY DO YOU USE MORE THAN ONE APPROACH FOR ESTIMATING THE MARKET REQUIRED RATE OF RETURN?

A. Each of the methods employed provides useful information on the market required rate of return. For example, the DCF methodology uses the current market price and expected dividends. The CAPM method incorporates current interest rates and provides a measure of risk. Analysis of comparable companies provides direct evidence on market required returns for

comparable risk firms -- firms that QC must compete with to obtain investor financing. Using multiple methods also provides a cross check on the market required return estimate. Results obtained from each method should define a useful range of return estimates to which judgment is applied.

Discounted Cash Flow (DCF)

Q. PLEASE EXPLAIN THE CONCEPT OF THE DISCOUNTED CASH FLOW (DCF) METHODOLOGY UTILIZED IN YOUR TESTIMONY.

A. Discounted cash flow analysis proceeds from the financial theory that the price or value of any asset is equal to the present value of future cash flows that the asset is expected to produce. The return required by common stock investors is a series of future cash flows consisting of dividend payments and proceeds from eventual sale of the stock.

By making the assumption of constant growth for dividends and by observing that equity markets are relatively efficient, financial analysts have derived a DCF model which Brealey and Myers describe as "a simple way to estimate the capitalization rate":

> Suppose, for example, that we forecast a constant growth for a company's dividends. This does not preclude year-to-year deviations from the trend: It means only that expected dividends grow at a constant rate.
>
> To find its present value we must divide the annual cash payment by the difference between the discount rate and the growth rate:

$$P_0 = \frac{DIV_1}{r - g}$$

Our growing perpetuity formula explains P_0 in terms of next year's expected dividend DIV_1, the projected growth rate g, and the expected rate of return on other securities of comparable risk r. Alternatively, the formula can be used to obtain an estimate of r from DIV_1, P_0, and g:

$$r = \frac{DIV_1}{P_0} + g$$

The market capitalization rate equals the dividend yield (DIV_1/P_0) plus the expected rate of growth in dividends (g).

(Richard A. Brealey and Stewart C. Myers, Principles of Corporate Finance, 4th Ed., New York McGraw-Hill, 1991, pp. 52-53.)

Q. HOW IS THE DISCOUNTED CASH FLOW (DCF) METHODOLOGY USED TO ESTIMATE THE MARKET REQUIRED RETURN ON EQUITY?

A. The market required return (r or k) is the discount rate that equates all future cash flows (dividends) to the current price of the stock. Over the long term, it can be shown that the market required rate of return is equal to the compounded value of the next four expected quarterly dividends divided by the current market price plus the expected dividend growth rate.

Three variables are required for the DCF model:

1. Estimated quarterly dividend payments for the next year.

2. Estimated growth in future dividends.
3. The current stock price.

Q. WHY IS IT NECESSARY TO ACCOUNT FOR QUARTERLY DIVIDENDS?

A. The timing of dividends is reflected in the current stock price. A stock paying four quarterly dividends is worth more than one paying a single annual dividend. This is similar in concept to the adjustment made in bond yield calculations to reflect that interest is paid twice a year. The timing and reinvestment of dividend payments must be considered in determining the return on a stock .

During the course of a year, the stock investor has the value of the 1st quarter dividend for 3/4th's of the year the 2nd quarter dividend for 1/2 of the year; the 3rd quarter dividend for 1/4th of the year, and the 4th quarter dividend that is received at the end of the year. Stocks are priced in the market consistent with the pure stock return described above. If companies suddenly shifted from paying quarterly dividends to paying a single annual dividend, investors would lose the reinvestment return, stock prices would fall, and the investors' market required return would rise.

Q. HOW DID YOU ESTIMATE THE EXPECTED GROWTH IN DIVIDENDS?

A. To estimate investors' expected growth in dividends, I relied upon growth estimates developed by professional analysts employed by large investment

brokerage institutions. In gathering data on current analysts' forecasts, I utilized the monthly Institutional Brokers Estimate Service (I/B/E/S) which summarizes the research conclusions of individual investment analysts.

Q. ARE ANALYSTS' FORECASTS A GOOD PROXY FOR INVESTOR GROWTH EXPECTATIONS?

A. Yes. From the perspective of market practitioners, the investment markets are dominated by institutional investors. Most of the outstanding common stock of publicly traded companies is held by institutions and the majority of daily trading activity is done by those institutions. The analysts are advisors to the institutional traders who pay for their analysis and growth estimates. If investment analysts did not add value to the investment decision process, there would be no demand for their services.

The investment analysts consider broad economic and industry trends and expectations along with analysis of the historical antecedents of current corporate performance in making their estimates. The estimation techniques used by analysts include review of historical growth trends, internal growth generation, and estimates of external growth potential.

There are a number of academic studies which conclude that analysts' growth forecasts are superior to other methods of growth estimation such as historical data extrapolation and time series analysis.

The capital markets are dynamic and complex because of the interaction of investors buying and selling stocks. If it were possible to "stop the action" and query each market participant as to what their growth expectations are, that would be the very best estimate of investor growth expectations. The next best estimate is the consensus growth rate forecast of major investment analysts.

Q. WHAT IS YOUR SOURCE FOR THE CURRENT STOCK PRICE?

A. For the current price variable in the DCF model, I used an average of the daily closing stock prices for the ten trading days 3/18/04 to 3/31/04. I used a ten day average of stock prices to guard against the possibility that the selected stock price might be distorted by market reaction to a news story, heavy buying or selling by a particular institution, or some other distortion.

Q. WHAT ARE THE RESULTS OF YOUR DISCOUNTED CASH FLOW (DCF) ANALYSES?

A. The results of the DCF analyses from Exhibits PCC-8 and PCC-9 are summarized as follows:

Telephone Companies	7.0%
Comparable Companies	12.8%

Q. WHY IS THERE SUCH A DISPARITY BETWEEN THE TELEPHONE

COMPANIES AND THE COMPARABLE COMPANIES?

A. The Telephone Companies DCF estimates are very low and do not reflect the relationship between risk and expected return. The small number of companies and the low dividend growth forecasts (probably more reflective of the current unsettled industry conditions than longer term expectations) both contribute to an unreliable required return estimate. Even in the current economic environment of narrow yield spreads between corporate debt and U.S. Treasury securities and low interest rates, the Telco DCF equity return estimates are at or near the cost of debt for these firms. Moody's Investors Service reported average long term utility bond yields of 6.2% for February 2004. In other words, these DCF estimates imply little or no equity risk premium for investment in the common stocks of the telephone companies, and, in my opinion, do not reliably estimate the return required for equity investment. By comparison, the comparable company DCF results are in line with the expected relationship of risk and return and are validated by the 13.1% DCF estimate of the market required return on the market as a whole (S&P 500) shown in Exhibit PCC-6 and the 12.8% DCF estimate for the Dow Jones Industrial companies shown in Exhibit PCC-5.

Capital Asset Pricing Model (CAPM)

Q. WHAT IS THE CAPITAL ASSET PRICING MODEL?

A. The Capital Asset Pricing Model (CAPM) has been employed in finance for more than 30 years. It is among the most thoroughly researched concepts in modern finance, and the CAPM originators have been internationally recognized. Harry Markowitz and William Sharpe were 1990 Nobel Prize winners for their work in the area. Sharpe's Capital Asset Pricing Model is based upon Markowitz's formal analysis of portfolio choices involving both risk and return and is almost universally applied in portfolio and investment management.

CAPM theory develops a required return for systematic risk -- that risk intrinsic to market itself, which cannot be reduced by diversification -- and modifies –at return for Beta -- the relative riskiness of a portfolio of stocks or an individual stock.

The CAPM model defines the return on stock in terms of three variables:

The **risk free rate** of interest.

The **risk premium** paid for the market basket of stocks.

The **relative riskiness** of the individual stock in relation to the average of the market. In CAPM terminology, this is **Beta** (β).

The required return on the stock is equal to the risk free rate of interest plus Beta times the market risk premium.

The CAPM is often expressed in mathematical terms:

$$R_i = R_f + \beta_i(R_p)$$

Where: R_i = The expected return for a particular stock
R_f = The risk free return
β_i = Beta or the relative risk of the particular stock
R_p = Market risk premium

The CAPM provides an estimate of the market required return demanded by investors, and it is the investors' view that is important. In my use of the CAPM in this proceeding, I have quantified the variables from sources widely available to investors.

Q. IS THE CAPM WIDELY USED IN PRACTICE?

A. The CAPM is widely used by investors and finance professionals in real world, everyday situations in making capital budgeting decisions, performing valuation studies for acquisitions and divestitures, establishing discount rates, and measuring the performance of investment managers.

Q. WHAT IS THE RISK FREE RATE?

A. The risk free rate is generally accepted as that rate of interest paid by the United States Government on its Treasury notes and bonds. For estimating required returns for equity investors (stockholders), a long term risk free rate is commonly employed to match the investment horizon of equity securities.

My CAPM analysis utilizes 10 year Treasury bond yields as risk free rates. (Average of yields as reported in the Federal Reserve H15 Report for 3/18/04 to 3/31/04) Corporate bonds are also priced relative to the 10 year Treasury bond, so this 10 year rate serves as the benchmark for both debt and equity investment.

Average 10 year bond yield: 3.80%

Q. HOW IS THE MARKET RISK PREMIUM DETERMINED?

A. Financial analysts generally estimate the expected risk premium of common stock over debt financing to be the difference in average realized returns for stocks and bonds over a long period of time. Although expectations are forward looking and realized returns are historical, over a very long period of time we would expect them to converge.

While returns on stocks and bonds vary from year to year, over time there is a substantial difference in the two investments. Research by Ibbotson Associates published in Stocks, Bonds, Bills and Inflation 2004 Yearbook: Market results for 1926-2003 indicates the following risk premium for common stocks over intermediate and long term government bonds for the 1926 through 2003 period:

	Return	Risk Premium

Common Stocks	12.4%	--
Long Term Bonds	5.2%	7.2%

These are the arithmetic mean returns, or the simple average of year to year returns over the 78 year period. For bonds, the income (or yield) return is used because when the bond is purchased, the yield to maturity reflects the market's expectation and thus the income return is an unbiased measure of expectancy. For stocks, which have no counterpart to the yield to maturity on bonds, the best measure of expected return is realized total returns.

I have used the arithmetic mean returns because they are most representative of the forward looking risk premium.

Q. IT IS SOMETIMES SUGGESTED THAT A SHORTER PERIOD OF HISTORICAL DATA SHOULD BE USED TO ESTIMATE THE MARKET RISK PREMIUM. HAVE YOU CONSIDERED USING A SHORTER PERIOD?

A. I have considered the issue of time period selection and have researched the financial literature and conclude that utilizing the full range of data available is the best approach. The market risk premium varies over time around some average or mean. The best estimate of that average or mean, and thus the best measure of the expected risk premium is the average risk premium over

the longest period for which high quality data is available. That period of time is 78 years -- 1926 to 2003.

Q. IS THERE ANY ALTERNATIVE TO SELECTING A PAST TIME PERIOD AS REPRESENTATIVE OF THE EXPECTED MARKET RISK PREMIUM?

A. Yes, there is. As an alternative procedure, we can make a direct estimate of the current market risk premium by subtracting the risk free rate from a DCF estimate of the required equity return for a large group of companies representative of the market for equity securities. To implement this alternative, I performed a DCF analysis of the required equity return for the Standard & Poor's 500 companies, a widely used stock market index measure. The results of this analysis are shown in Exhibit PCC-6.

Q. WHAT ARE THE CURRENT MARKET RISK PREMIUM ESTIMATES USING THE DCF EX ANTE METHOD ABOVE?

A. Using the DCF estimate for the expected return on the S&P 500 Index of 13.1% and the long term risk free rate of 3.80%, the ex ante expected market risk premium estimates is 9.3%. (13.1% - 3.80% = 9.3%)

Q. WHAT MARKET RISK PREMIUM WILL BE USED IN YOUR CAPM ANALYSIS?

A. My CAPM analysis will use an average of the 7.2% ex post risk premium from the Ibbotson Associates data and the ex ante risk premium described above. The long term market risk premium is 8.2%.

Q. HOW DID YOU DETERMINE BETA?

A. Beta is typically estimated as the volatility of the individual stock in relation to the volatility of a market index such as the S&P 500. There are brokerage companies and investment advisors which calculate and provide Betas to investors.

My Beta estimates for telephone companies and comparable risk companies are the average of the current Beta information provided by Merrill Lynch and Value Line.

Q. WHAT ARE THE RESULTS OF YOUR CAPM ANALYSIS?

A. The results of my CAPM analysis are detailed in Exhibits PCC-10 and PCC-11 and are summarized as follows:

Telephone Companies	12.1%
Comparable Companies	10.2%

For purposes of comparison and a check on the reasonableness of these estimates, Exhibit PCC-12 provides a CAPM analysis of the S&P 500 Companies. The CAPM estimate of the market required return on the market average of S&P 500 companies is 12.0%. That is, for the average company

of average business and financial risk, the market required return on equity capital is 12.0%

Comparable Companies

Q. WHY DO YOU ANALYZE COMPARABLE RISK COMPANIES TO ESTIMATE THE COST OF EQUITY CAPITAL FOR QC?

A. As discussed in the testimony section, **Fair Return Concepts**, the standards applicable in determination of a fair return for a regulated utility are derived from Supreme Court cases. These cases recognize the basic point that there is an opportunity cost associated with funds supplied to utilities by outside investors. That cost is the expected return foregone by not investing in a competing investment of corresponding risks.

The investors' choices are not limited to telecommunications companies or other regulated company investments. Rather, the investment decision is a balance between risk and expected return offered by competing investment choices. Since all publicly traded companies offer a significant investment alternative, it is proper to analyze market data associated with comparable risk companies to estimate the cost of equity capital for QC.

Q. HOW DID YOU SELECT COMPANIES COMPARABLE TO QC?

A. I screened the Standard and Poor's Research Insights data base which contains public financial information on more than 9,000 firms to identify companies with risk characteristics similar to QC.

Q. HOW DID YOU DEVELOP THE SCREENING CRITERIA?

A. I utilized two indicators that quantify the overall risk of company operations similar to QC. In efficient markets, investors require similar returns for similar risks. By identifying publicly traded companies with risks similar to QC, we can estimate the investors' return requirement for QC. The risk indicators and screening criteria are:

Risk Indicator	Screening Criteria
Cash Flow Variability	Publicly traded companies with cash flow variability similar to QC.
S&P Bond Rating	A or greater

Q. HOW DO THESE PARAMETERS CAPTURE THE RISK OF QC?

A. Cash flow is the basic earning power of firms. Cash flow is the basis for earnings, dividends, and reinvestment. Variability in cash flow is a fundamental risk factor. Given a choice of two investments, an investor will expect a higher return for the alternative with greater cash flow variability. By quantifying the variability of cash flows it is possible to identify companies with risk and return expectations similar to QC. Companies with stable cash flows are less risky than companies with wide variation in cash flow. Cash

flow variability is measured as the standard deviation of year over year change in cash flow from operations for the period 1993 through 2002.

Bond ratings are a good overall assessment of risk. The ratings are established and updated by professional analysts with economy wide and industry specific criteria to facilitate comparison of company risks across the full spectrum of publicly traded companies. The rating agencies consider business and financial risks, cash flow, leverage, interest coverage, operating efficiency, economics, industry outlook and many other quantitative and qualitative factors. The bond rating process culminates in the letter grade ratings which provide to investors a convenient, reliable stratification of the risks among companies.

QC is rated "Ba3" by Moody's and "B-" by S&P and the screening criteria of "A or higher" is actually conservative in that investment grade companies with lower risk are being selected for comparison.

Q. WHAT KINDS OF COMPANIES ARE IN THE COMPARABLE GROUP?

A. Basically, they are large, well known companies. A review of Exhibit PCC-3 shows companies like Johnson & Johnson, McDonalds, and Coca-Cola. The companies are well known to individual and institutional investors alike and are risk comparable investments that QC must compete with for its financing.

Q. HOW CAN THESE COMPANIES BE COMPARABLE TO QC WHEN THEY ARE NOT IN THE SAME INDUSTRY?

A. The group of companies is comparable to QC in the risk exposure offered to investors. This risk exposure governs the investors' expected return and establishes the cost of equity capital. Several telephone companies were in the initial screened group, but were removed because they are already included in the cost of equity estimate analysis as part of the telephone company group. The fact that the screening procedure included telephone companies in the comparable group screen provides validation of the criteria used to screen for comparable risk companies. It is important to note that investment in these companies as a group or a portfolio, not as individual company investments, is comparable to investment in QC. It would be an inappropriate use of the data to conclude that each and every company in the group is directly comparable to QC.

Market Required Return Estimate For Proxy Companies

Q. PLEASE SUMMARIZE YOUR ESTIMATES OF THE MARKET REQUIRED RATE OF RETURN FOR THE TELEPHONE COMPANIES AND COMPARABLE COMPANIES.

A. I have conducted an analysis using DCF and CAPM methods to estimate the market required return on equity for proxy groups of companies as the first

step in estimating the cost of equity capital for QC. The second step adjusts the proxy groups market required return to match the increased leverage of QC's capital structure. The proxy group market required return estimates are summarized as follows:

Telephone Companies	DCF	7.0%
Telephone Companies	CAPM	12.1%
Comparable Companies	DCF	12.8%
Comparable Companies	CAPM	10.2%

Q. HOW SHOULD THESE RESULTS BE INTERPRETED?

A. The Telephone Companies DCF estimates are clearly an anomaly in the range of data. Even in the current economic environment of narrow yield spreads between corporate debt and U.S. Treasury securities and low interest rates, the Telco DCF equity return estimates are at or near the cost of debt for these firms. Moody's Investors Service reported average long term utility bond yields of 6.2% for February 2004. In other words, the DCF estimates imply little or no equity risk premium for investment in the common stocks of the telephone companies. This apparent result is at odds with both financial theory and the history of capital markets data. Accordingly, I am giving no weight to the Telephone Company DCF estimates.

Excluding the Telco DCF estimates, the range of the remaining market required return estimates for the proxy groups is 10.2% to 12.8% with an average of 11.7%. The average of CAPM estimates for the two groups is 11.2%.

In my judgment, a reasonable range of market required equity return estimates for these proxy groups of companies, reflecting their business and financial risks is 11.2% to 11.7%. Taken together, these proxy groups have lower risk and lower required equity returns than the S&P 500 companies, the proxy group for the market as a whole, and the Dow Jones Industrial Average companies. Exhibits PCC-6 and PCC-12 show DCF and CAPM market required return estimates for the S&P 500 of 13.1% and 12.0% respectively. Exhibit PCC-5 shows DCF and CAPM market required return estimates for the DJIA companies of 12.8% and 12.2% respectively.

Market Required Return Estimate for QC

Q. IS THE MARKET REQUIRED RETURN FOR THE PROXY GROUP OF COMPANIES A GOOD ESTIMATE OF THE MARKET REQUIRED RETURN FOR QC?

A. No. Because of the great difference in debt financing as a percent of capital structure between QC and the proxy group companies, financial theory tells

us that QC has a greater market required return than the proxy group companies.

Q. IS THERE A METHOD TO ADJUST PROXY GROUP MARKET REQUIRED RETURN ESTIMATES TO PROVIDE AN EQUITY RETURN ESTIMATE FOR A COMPANY THAT HAS SIGNIFICANTLY HIGHER OR LOWER CAPITAL STRUCTURE LEVERAGE THAN THE PROXY GROUP?

A. Yes. There is a well known financial procedure to quantitatively adjust observed market required return data to account for capital structure differences. This procedure utilizes the Capital Asset Pricing Model (CAPM) logic to first remove the effect of debt financing or leverage from the proxy groups equity return estimates and then add the effect of actual debt financing or leverage at the target company – in this case, QC. In the language of finance, the betas of the proxy group companies are "unlevered" to reflect the return required as if those companies had all equity financing, and then the betas are "relevered" to reflect the return required at the mix of debt and equity financing for the target company being evaluated.

Q. HOW DOES THIS FINANCIAL PROCEDURE WORK?

A. The formula for computing an unlevered beta is:

$$B_u = \frac{B_L}{1 + (1-t)\, W_d/W_e}$$

Where: B_u = Beta unlevered
B_L = Beta levered
t = Tax rate for the company
W_d = Percent debt in the capital structure
W_e = Percent equity in the capital structure

The formula to adjust an unlevered beta to a levered beta is:

$$B_L = B_u (1+(1-t) W_d/W_e)$$

Q. ARE UNLEVERED AND RELEVERED BETAS ACTUALLY USED IN BUSINESS?

A. Yes. This procedure was developed more than 30 years ago and is a valuable tool used by finance professionals in valuing publicly traded companies, privately held firms, and divisions or subsidiaries of publicly traded companies.

Q. WHAT IS THE MARKET REQUIRED RETURN FOR QC?

A. Using the average unlevered beta for the proxy groups of .725 (see Exhibit PCC-2) and the Qwest Corp capital structure and marginal tax rate, the market required equity return for QC is calculated as follows:

$$B_L = .725 (1+ (1-.35) 75.2\%/24.8\%)$$

$$B_L = 2.15$$

Required Return = Risk Free Rate + Beta x (Market Risk Premium)

Required Return = 3.80% + 2.15 (8.2%)

Required Return = 21.4%

OVERALL RATE OF RETURN RECOMMENDATION

Q. WHAT IS YOUR RECOMMENDATION FOR A FAIR OVERALL RETURN ON RATE BASE FOR QC?

A. Using the fair return on equity capital and QC's actual capital structure and embedded debt cost, I recommend the following as a fair return on rate base:

	Percent	Cost	Weighted Cost
Debt	75.2%	7.81%	5.87%
Equity	24.8%	21.4%	5.31%
Overall Return			11.18%

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

APPENDIX I
PREVIOUS TESTIMONY OF PETER C. CUMMINGS

Jurisdiction	Docket	Jurisdiction	Docket
Minnesota	GR-83-600	Nebraska	C-1473
South Dakota	F-3520	Iowa	RPU-96-9
FCC	84-800	Colorado	96S-331T
Oregon	UT-43	Minnesota	P-421-CI-96-1540
Oregon	UT-65	Wyoming	70000-TR-96-223
Oregon	UT-85	Utah	97-049-08
Oregon	UM-280	Colorado	97K-237T
Washington	U-89-3524-AT	Wyoming	70000-TS-96-319
Utah	90-049-06	Wyoming	72000-TS-96-95
Arizona	E-1051-91-004	New Mexico	96-310-TC
Montana	90.12.86	New Mexico	97-334-TC
Iowa	RPU-91-4	Minnesota	P-999/M-97-909
Utah	92-049-05	Wyoming	General Order 81
New Mexico	92-227-TC	North Dakota	PU-314-97-12
Arizona	E-1051-93-183	Oregon	UM 731
Iowa	RPU-93-9	Montana	D97.9.167
Washington	UT-950200	Wyoming	70000-TT-97-378
Utah	95-049-05	Nebraska	C-1415
Oregon	UT-125	Montana	D98.8.192
Idaho	USW-S-96-5	FCC	98-166
Minnesota	P-442,421/M-96-855	Arizona	T-1051B-99-105
Minnesota	P-466,421/M-96-1097	New Mexico	3007
Nebraska	C-1385	Colorado	99A-407T
Utah	96-087-03	Iowa	SPU-99-27
Arizona	U-3021-96-448	Washington	Ut-991358
New Mexico	96-4121-TC	North Dakota	PU-314-99-119
Utah	94-999-01	New Mexico	3008

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF QWEST CORPORATION'S FILING OF RENEWED PRICE REGULATION PLAN	)	DOCKET NO. T-01051B-03-0454
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS	)	DOCKET NO. T-00000D-00-0672

DIRECT TESTIMONY EXHIBITS

OF

PETER C. CUMMINGS

QWEST CORPORATION

May 20, 2004

EXHIBITS OF PETER C. CUMMINGS

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PCC-4	Competitive Telecommunications Companies
PCC-5	Dow Jones Industrial Average Companies
PCC-6	S&P 500 Companies
PCC-7	QC Arizona Capital Structure and Cost of Debt
PCC-8	DCF Model -- Telephone Companies
PCC-9	DCF Model -- Comparable Risk Companies
PCC-10	CAPM Model -- Telephone Companies
PCC-11	CAPM Model -- Comparable Risk Companies
PCC-12	CAPM Model -- S&P 500 Companies

RATE OF RETURN RECOMMENDATION

	Percent	Cost	Wtd Cost
Debt	75.2%	7.81%	5.87%
Equity	24.8%	21.40%	5.31%
Total Capital			11.18%

SUMMARY OF EXHIBIT DATA

		Required Equity Return	Capital Structure		Beta	
			% Debt	% Equity	Levered	Unlevered
Proxy Groups						
Telephone Companies	DCF	7.0%				
Telephone Companies	CAPM	12.1%	26.4%	73.6%	1.01	0.74
Comparable Companies	DCF	12.8%				
Comparable Companies	CAPM	10.2%	7.9%	92.1%	0.78	0.71
Average (excl Telco DCF)		11.7%				
Market Averages						
S&P 500 Companies	DCF	13.1%				
S&P 500 Companies	CAPM	12.0%	41.5%	58.5%	1.00	0.68
Dow 30 Industrials	DCF	12.8%				
Dow 30 Industrials	CAPM	12.2%	31.3%	68.7%	1.05	0.85
Average		12.5%				
Competitive Telecom Companies						
Interexchange Carriers	CAPM	16.0%	48.1%	51.9%	1.49	0.69
Cable Companies	CAPM	15.2%	41.1%	58.9%	1.39	0.69
Wireless Companies	CAPM	15.4%	33.0%	67.0%	1.38	1.01
Average		15.5%				

TELEPHONE AND COMPARABLE RISK COMPANY PROXY GROUPS

	Levered Beta			Capital Structure				Unlevered Beta
	ML	*VL*	*Avg*	$ Equity (millions)	$ Debt (millions)	% Debt	% Equity	(35% Tax Rate)
Telephone Companies								
BellSouth	0.98	0.95	0.97	50,715	14,980	22.8%	77.2%	0.81
SBC Communications	0.88	1.05	0.97	81,184	17,939	18.1%	81.9%	0.85
Verizon	0.98	1.00	0.99	102,312	45,380	30.7%	69.3%	0.77
ALLTEL Corp	0.88	1.00	0.94	15,537	5,858	27.4%	72.6%	0.75
CenturyTel Inc	0.92	1.10	1.01	3,899	3,182	44.9%	55.1%	0.66
Citizens Comm Company	1.25	1.05	1.15	3,698	4,945	57.2%	42.8%	0.62
Average			**1.01**	**42,891**	**15,381**	**26.4%**	**73.6%**	**0.74**
Comparable Companies								
Abbott Laboratories	0.53	0.80	0.67	64,263	5,990	8.5%	91.5%	0.63
AFLAC Inc	0.70	0.95	0.83	20,509	1,409	6.4%	93.6%	0.79
Air Products & Chemicals	0.90	1.00	0.95	11,391	2,572	18.4%	81.6%	0.83
Anheuser Busch Cos Inc	0.27	0.60	0.44	41,345	7,285	15.0%	85.0%	0.39
Automatic Data Processing	1.06	0.95	1.01	24,776	85	0.3%	99.7%	1.01
Barrick Gold Corp		0.45	0.45	12,713	719	5.4%	94.6%	0.43
Brown-Forman Cl B		0.65	0.65	5,950	742	11.1%	88.9%	0.60
California Water Service		0.65	0.65	479	280	36.9%	63.1%	0.47
Coca Cola Co	0.53	0.65	0.59	122,997	5,423	4.2%	95.8%	0.57
Colgate-Palmolive Co	0.65	0.70	0.68	29,347	3,103	9.6%	90.4%	0.64
Danaher Corp	0.90	1.05	0.98	14,372	1,299	8.3%	91.7%	0.93
Deluxe Corp		0.80	0.80	2,008	595	22.9%	77.1%	0.67
Ecolab Inc	0.76	0.90	0.83	7,341	675	8.4%	91.6%	0.78
Emerson Electric	0.95	1.05	1.00	25,272	4,380	14.8%	85.2%	0.90
E W Scripps - CL A	0.68	0.90	0.79	6,336	509	7.4%	92.6%	0.75
Gillette Co	0.50	0.65	0.58	39,373	3,312	7.8%	92.2%	0.55
Illinois Tool Works	0.91	1.00	0.96	24,520	976	3.8%	96.2%	0.94
Johnson & Johnson	0.51	0.70	0.61	150,529	4,094	2.6%	97.4%	0.60
Leggett & Platt Inc	1.02	1.05	1.04	4,560	1,174	20.5%	79.5%	0.89
McDonalds Corp	0.86	1.00	0.93	36,048	9,731	21.3%	78.7%	0.79
MGIC Investment Corp	1.01	1.20	1.11	6,338	600	8.6%	91.4%	1.05
Middlesex Water Co		0.55	0.55	219	111	33.6%	66.4%	0.41
Sherwin-Williams Co	0.81	1.00	0.91	5,533	514	8.5%	91.5%	0.86
UnitedHealth Group Inc	0.54	0.65	0.60	40,011	1,979	4.7%	95.3%	0.58
UST Inc	0.58	0.85	0.72	5,980	1,140	16.0%	84.0%	0.64
Vulcan Materials	0.83	1.00	0.92	4,841	886	15.5%	84.5%	0.82
WPS Resources Corp		0.75	0.75	1,764	1,018	36.6%	63.4%	0.55
Average			**0.78**	**26,252**	**2,244**	**7.9%**	**92.1%**	**0.71**

Data Sources:
- Merrill Lynch Quantitative Analysis March 2004
- Value Line Summary and Index as of 4/2/04
- Compustat CD-ROM as of 3/31/04

COMPETITIVE TELECOMMUNICATIONS COMPANIES

	Levered Beta			CAPM Equity	Capital Structure				Unlevered Beta
	ML	*VL*	*Avg*	Return	$ Equity (millions)	$ Debt (millions)	% Debt	% Equity	(35% Tax Rate)
Interexchange Carriers									
AT&T CORP	0.80	NMF	0.80	10.4%	15,529	14,409	48.1%	51.9%	0.50
LEVEL 3 COMMUN INC	1.36	1.65	1.51	16.2%	2,711	5,375	66.5%	33.5%	0.66
SPRINT (Combined)	1.52	1.26	1.39	15.2%	24,815	19,160	43.6%	56.4%	0.93
TIME WARNER TELECOM INC	n/a	2.25	2.25	22.3%	324	1,204	78.8%	21.2%	0.66
WORLDCOM INC-MCI GROUP	n/a	n/a							
Average			**1.49**	**16.0%**	**10,845**	**10,037**	**48.1%**	**51.9%**	**0.69**
Cable Companies									
CABLEVISION SYS CORP	1.26	1.45	1.36	15.0%	5,024	9,809	66.1%	33.9%	0.60
CHARTER COMMUNICATIONS INC	2.06	2.00	2.03	20.4%	1,393	18,647	93.0%	7.0%	0.21
COMCAST CORP	0.78	1.40	1.09	12.7%	64,577	26,996	29.5%	70.5%	0.86
COX COMMUNICATIONS	0.75	1.20	0.98	11.8%	18,742	7,012	27.2%	72.8%	0.79
ECHOSTAR COMMUN CORP	1.71	1.25	1.48	15.9%	7,879	5,637	41.7%	58.3%	1.01
Average			**1.39**	**15.2%**	**19,523**	**13,620**	**41.1%**	**58.9%**	**0.69**
Wireless Companies									
AT&T WIRELESS SERVICES INC	1.73	NMF	1.73	18.0%	37,079	10,643	22.3%	77.7%	1.46
NEXTEL COMMUNICATIONS	1.76	1.80	1.78	18.4%	26,434	10,212	27.9%	72.1%	1.42
SPRINT (Combined)	1.52	1.26	1.39	15.2%	24,815	19,160	43.6%	56.4%	0.93
TELEPHONE & DATA SYSTEMS	1.10	1.00	1.05	12.4%	3,589	3,691	50.7%	49.3%	0.63
US CELLULAR CORP	1.02	1.10	1.06	12.5%	2,054	1,252	37.9%	62.1%	0.76
WESTERN WIRELESS CORP	1.62	1.35	1.49	16.0%	1,989	2,220	52.8%	47.2%	0.86
Average			**1.42**	**15.4%**	**15,993**	**7,863**	**33.0%**	**67.0%**	**1.01**
Sprint PCS and FON Tracking Stocks Recombined on April 23, 2004:									
Sprint FON Group	1.17	1.05	1.11		17,331	1,745	9.1%	90.9%	
Sprint PCS Group	2.33	1.75	2.04		7,485	17,415	69.9%	30.1%	
Sprint (Combined)	1.52	1.26	1.39		24,815	19,160	43.6%	56.4%	

Date Sources:
- Merrill Lynch Quantitative Analysis March 2004
- Value Line Summary and Index as of 4/2/04
- Compustat CD-ROM as of 3/31/04

DOW JONES INDUSTRIAL AVERAGE COMPANIES

	Levered Beta			CAPM	Capital Structure			Unlevered Beta		DCF Model Inputs				DCF
	ML	*VL*	*Avg*	Equity Return	$ Equity (millions)	$ Debt (millions)	% Debt	% Equity	(35% tax)	*Price*	*Ann Div*	*Exp Div*	*Growth*	Equity Return
Dow 30 Companies														
3M CO	0.69	0.90	0.80	10.4%	64,101	3,007	4.5%	95.5%	0.78	81.87	1.32	1.40	11.5%	13.2%
ALCOA INC	1.52	1.30	1.41	15.4%	30,176	7,271	19.4%	80.6%	1.22	34.69	0.60	0.64	14.0%	15.9%
ALTRIA GROUP INC	0.52	0.70	0.61	8.8%	111,465	24,539	18.0%	82.0%	0.53	54.45	2.72	2.83	8.0%	13.2%
AMERICAN EXPRESS	1.12	1.55	1.34	14.8%	66,891	39,700	37.2%	62.8%	0.97	51.85	0.40	0.43	13.0%	13.8%
AMERICAN INTL GROUP	0.91	1.25	1.08	12.7%	186,148	112,814	37.7%	62.3%	0.77	71.35	0.26	0.28	14.0%	14.4%
BOEING CO	0.81	1.00	0.91	11.3%	34,622	14,443	29.4%	70.6%	0.72	41.07	0.68	0.71	10.0%	11.7%
CATERPILLAR INC	1.04	1.20	1.12	13.0%	26,996	19,816	42.3%	57.7%	0.76	79.07	1.48	1.57	12.0%	14.0%
CITIGROUP INC	1.28	1.50	1.39	15.2%	266,617	450,161	62.8%	37.2%	0.66	51.70	1.40	1.48	12.0%	14.9%
COCA-COLA CO	0.53	0.65	0.59	8.6%	122,997	5,423	4.2%	95.8%	0.57	50.30	0.88	0.92	10.0%	11.8%
DISNEY (WALT) CO	n/a	1.30	1.30	14.5%	51,169	13,159	20.5%	79.5%	1.11	24.99	0.21	0.23	15.0%	15.9%
DU PONT (E I) DE NEMOURS	0.97	1.00	0.99	11.9%	42,211	10,215	19.5%	80.5%	0.86	42.22	1.40	1.47	9.5%	13.0%
EXXON MOBIL CORP	0.61	0.80	0.71	9.6%	272,727	9,545	3.4%	96.6%	0.69	41.59	1.00	1.05	9.5%	12.0%
GENERAL ELECTRIC CO	1.06	1.30	1.18	13.5%	305,775	304,921	49.9%	50.1%	0.72	30.52	0.80	0.84	10.0%	12.8%
GENERAL MOTORS CORP	1.12	1.25	1.19	13.6%	26,470	274,756	91.2%	8.8%	0.15	47.10	2.00	2.07	6.5%	10.9%
HEWLETT-PACKARD CO	1.43	1.35	1.39	15.2%	69,697	7,381	9.6%	90.4%	1.30	22.84	0.32	0.34	10.0%	11.5%
HOME DEPOT INC	1.27	1.30	1.29	14.4%	85,002	856	1.0%	99.0%	1.28	37.36	0.28	0.30	12.5%	13.3%
HONEYWELL INTERNATIONAL INC	1.27	1.35	1.31	14.5%	29,070	5,160	15.1%	84.9%	1.17	33.85	0.75	0.79	10.0%	12.3%
INTEL CORP	1.67	1.35	1.51	16.2%	176,175	1,160	0.7%	99.3%	1.50	27.20	0.08	0.09	15.0%	15.3%
INTL BUSINESS MACHINES CORP	1.31	1.05	1.18	13.5%	156,074	23,632	13.2%	86.8%	1.07	91.84	0.64	0.67	10.0%	10.7%
J P MORGAN CHASE & CO	1.50	1.50	1.50	16.1%	86,340	191,457	68.9%	31.1%	0.61	41.95	1.36	1.43	10.0%	13.4%
JOHNSON & JOHNSON	0.51	0.70	0.61	8.8%	150,529	4,094	2.6%	97.4%	0.60	50.72	0.96	1.02	13.0%	15.0%
MCDONALDS CORP	0.86	1.00	0.93	11.4%	36,048	9,731	21.3%	78.7%	0.79	28.57	0.40	0.42	8.0%	9.5%
MERCK & CO	0.57	0.90	0.74	9.9%	98,293	6,796	6.5%	93.5%	0.71	44.19	1.48	1.51	4.5%	7.9%
MICROSOFT CORP	1.41	1.15	1.28	14.3%	269,679	0	0.0%	100.0%	1.28	24.93	0.16	0.17	10.0%	10.7%
PFIZER INC	0.59	0.85	0.72	9.7%	267,258	14,573	5.2%	94.8%	0.70	35.05	0.60	0.64	13.0%	14.8%
PROCTER & GAMBLE CO	0.24	0.60	0.42	7.2%	135,547	18,521	12.0%	88.0%	0.39	104.88	1.82	1.92	11.0%	12.8%
SBC COMMUNICATIONS INC	0.88	1.05	0.97	11.8%	81,184	17,939	18.1%	81.9%	0.85	24.54	1.08	1.10	4.0%	8.5%
UNITED TECHNOLOGIES CORP	1.05	1.15	1.10	12.8%	44,501	5,301	10.6%	89.4%	1.02	86.30	1.40	1.47	10.0%	11.7%
VERIZON COMMUNICATIONS	0.98	1.00	0.99	11.9%	102,312	45,380	30.7%	69.3%	0.77	36.54	1.54	1.56	2.3%	6.6%
WAL-MART STORES	0.87	1.00	0.94	11.5%	258,325	26,822	9.4%	90.6%	0.88	59.69	0.36	0.39	14.0%	14.6%
Average			1.05	**12.4%**	**121,813**	**55,619**	**31.3%**	**68.7%**	**0.85**					**12.5%**
Market Value Weighted				**12.2%**										**12.8%**

Data Sources:
Merrill Lynch Quantitative Analysis March 2004
Value Line Summary and Index as of 4/2/04
Compustat CD-ROM as of 3/31/04

S&P 500 COMPANIES

	Capital Structure				DCF Model Inputs				DCF
S&P 500 Companies	$ Equity (millions)	$ Debt (millions)	% Debt	% Equity	Price	Ann Div	Exp Div	Growth	Equity Return
3M CO	64,101	3,007	4.5%	95.5%	81.87	1.32	1.40	11.5%	13.2%
ABBOTT LABORATORIES	64,263	5,990	8.5%	91.5%	41.10	0.98	1.04	12.0%	14.5%
ACE LIMITED	11,994	2,370	16.5%	83.5%	42.66	0.74	0.79	13.6%	15.5%
ADC TELECOMMUNICATIONS INC	2,341	408	14.8%	85.2%					
ADOBE SYSTEMS INC.	9,377	0	0.0%	100.0%	39.30	0.05	0.05	15.0%	15.1%
ADVANCED MICRO DEVICES	5,710	2,093	26.8%	73.2%					
AES CORP. (THE)	5,363	19,638	78.5%	21.5%					
AETNA INC	13,882	1,614	10.4%	89.6%	89.72	0.04	0.04	15.0%	15.0%
AFLAC INC	20,509	1,409	6.4%	93.6%	40.14	0.32	0.34	15.0%	15.9%
AGILENT TECHNOLOGIES INC	15,206	1,150	7.0%	93.0%					
AIR PRODUCTS & CHEMICALS INC	11,391	2,572	18.4%	81.6%	50.12	0.92	0.97	10.0%	11.9%
ALBERTO-CULVER CO	3,952	321	7.5%	92.5%	43.87	0.28	0.30	13.0%	13.7%
ALBERTSONS INC	8,147	5,324	39.5%	60.5%	22.15	0.76	0.79	8.0%	11.6%
ALCOA INC	30,176	7,271	19.4%	80.6%	34.69	0.60	0.64	14.0%	15.9%
ALLEGHENY ENERGY INC	1,741	5,758	76.8%	23.2%					
ALLEGHENY TECHNOLOGIES INC	980	532	35.2%	64.8%	12.10	0.24	0.25	10.5%	12.6%
ALLERGAN INC	11,050	598	5.1%	94.9%	84.16	0.36	0.40	22.5%	23.0%
ALLIED WASTE INDUSTRIES INC	4,266	8,234	65.9%	34.1%					
ALLSTATE CORP	31,997	5,076	13.7%	86.3%	45.46	0.92	0.97	10.0%	12.1%
ALLTEL CORP	15,537	5,858	27.4%	72.6%	49.89	1.48	1.52	5.0%	8.0%
ALTERA CORP	7,697	0	0.0%	100.0%					
ALTRIA GROUP INC	111,465	24,539	18.0%	82.0%	54.45	2.72	2.83	8.0%	13.2%
AMBAC FINANCIAL GP	7,975	1,017	11.3%	88.7%	73.78	0.44	0.47	14.5%	15.1%
AMERADA HESS CORP	5,877	3,941	40.1%	59.9%	65.28	1.20	1.22	4.0%	5.9%
AMEREN CORP	8,392	4,750	36.1%	63.9%	46.09	2.54	2.58	3.0%	8.6%
AMERICAN ELECTRIC POWER	13,307	14,685	52.5%	47.5%	32.92	1.40	1.42	3.0%	7.3%
AMERICAN EXPRESS	66,891	39,700	37.2%	62.8%	51.85	0.40	0.43	13.0%	13.8%
AMERICAN GREETINGS -CL A	1,422	751	34.6%	65.4%					
AMERICAN INTERNATIONAL GROUP	186,148	112,814	37.7%	62.3%	71.35	0.26	0.28	14.0%	14.4%
AMERICAN PWR CNVRSION	4,596	0	0.0%	100.0%	22.99	0.32	0.34	15.0%	16.5%
AMERICAN STANDARD COS INC	8,232	1,679	16.9%	83.1%					
AMERISOURCEBERGEN CORP	6,137	1,770	22.4%	77.6%	54.68	0.10	0.11	15.0%	15.2%
AMGEN INC	74,436	3,080	4.0%	96.0%					
AMSOUTH BANCORPORATION	8,297	10,222	55.2%	44.8%	23.51	0.96	1.00	8.0%	12.2%
ANADARKO PETROLEUM CORP	13,121	5,058	27.8%	72.2%	51.86	0.56	0.59	9.0%	10.1%
ANALOG DEVICES	17,945	0	0.0%	100.0%	48.01	0.04	0.04	20.0%	20.1%
ANDREW CORP	2,779	309	10.0%	90.0%					
ANHEUSER-BUSCH COS INC	41,345	7,285	15.0%	85.0%	51.00	0.88	0.93	11.0%	12.8%
ANTHEM INC	12,522	2,065	14.2%	85.8%					
AON CORP	8,784	2,148	19.6%	80.4%	27.91	0.60	0.63	10.0%	12.3%
APACHE CORP	14,037	2,327	14.2%	85.8%	43.17	0.24	0.25	8.3%	8.9%
APARTMENT INVT &MGMT -CL A	2,935	6,198	67.9%	32.1%	31.09	2.40	2.45	4.0%	11.9%
APOLLO GROUP INC -CL A	n/a	n/a							
APPLE COMPUTER INC	10,019	302	2.9%	97.1%					
APPLERA CORP APPLIED BIOSYS	4,081	0	0.0%	100.0%	19.78	0.17	0.18	10.0%	10.9%
APPLIED MATERIALS INC	35,959	561	1.5%	98.5%					
APPLIED MICRO CIRCUITS CORP	1,774	0	0.0%	100.0%					
ARCHER-DANIELS-MIDLAND CO	10,932	5,998	35.4%	64.6%	16.87	0.24	0.25	9.0%	10.5%
ASHLAND INC	3,231	1,574	32.8%	67.2%	46.49	1.10	1.14	6.5%	8.9%
AT&T CORP	15,529	14,409	48.1%	51.9%					
AT&T WIRELESS SERVICES INC	37,079	10,643	22.3%	77.7%					
AUTODESK INC	3,555	0	0.0%	100.0%	31.52	0.12	0.13	13.0%	13.4%
AUTOMATIC DATA PROCESSING	24,776	85	0.3%	99.7%	42.00	0.56	0.59	10.0%	11.4%
AUTONATION INC	4,583	3,634	44.2%	55.8%					
AUTOZONE INC	7,243	1,787	19.8%	80.2%					
AVAYA INC	6,965	954	12.0%	88.0%					
AVERY DENNISON CORP	6,872	1,180	14.7%	85.3%	62.21	1.48	1.57	12.0%	14.5%
AVON PRODUCTS	17,905	1,122	5.9%	94.1%	75.87	0.84	0.89	13.0%	14.2%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure				DCF Model Inputs				DCF
	$ Equity (millions)	$ Debt (millions)	% Debt	% Equity	Price	Ann Div	Exp Div	Growth	Equity Return
BAKER-HUGHES INC	12,133	1,484	10.9%	89.1%	36.48	0.46	0.49	15.0%	16.4%
BALL CORP	3,831	1,687	30.6%	69.4%	67.78	0.60	0.63	9.0%	9.9%
BANK OF AMERICA CORP	120,320	195,867	61.9%	38.1%	80.98	3.20	3.36	10.0%	14.1%
BANK OF NEW YORK CO INC	24,439	7,994	24.6%	75.4%	31.50	0.76	0.81	12.0%	14.6%
BANK ONE CORP	60,948	115,077	65.4%	34.6%	54.52	1.00	1.05	10.0%	11.9%
BARD (C.R.) INC	5,119	168	3.2%	96.8%	97.64	0.92	0.98	12.0%	13.0%
BAUSCH & LOMB INC	3,154	847	21.2%	78.8%	59.97	0.52	0.55	12.5%	13.4%
BAXTER INTERNATIONAL INC	18,915	4,574	19.5%	80.5%	30.89	0.58	0.61	11.0%	13.0%
BB&T CORP	19,131	18,143	48.7%	51.3%	35.30	1.28	1.34	10.0%	13.8%
BEAR STEARNS COMPANIES INC	8,594	117,954	93.2%	6.8%	87.68	0.80	0.84	10.0%	11.0%
BECTON DICKINSON & CO	12,251	1,175	8.8%	91.2%	48.48	0.60	0.63	11.0%	12.3%
BED BATH & BEYOND INC	12,502	0	0.0%	100.0%					
BELLSOUTH CORP	50,715	14,980	22.8%	77.2%	27.69	0.92	0.93	3.0%	6.4%
BEMIS CO	2,777	590	17.5%	82.5%	26.00	0.56	0.58	8.0%	10.2%
BEST BUY CO INC	16,792	850	4.8%	95.2%	51.72	0.40	0.43	15.0%	15.8%
BIG LOTS INC	1,695	204	10.7%	89.3%					
BIOGEN IDEC INC	18,459	887	4.6%	95.4%					
BIOMET INC	9,813	124	1.2%	98.8%	38.36	0.15	0.16	15.0%	15.4%
BJ SERVICES CO	6,889	502	6.8%	93.2%					
BLACK & DECKER CORP	4,467	1,119	20.0%	80.0%	56.94	0.84	0.89	11.0%	12.6%
BLOCK H & R INC	8,929	2,240	20.1%	79.9%	51.03	0.80	0.86	15.0%	16.7%
BMC SOFTWARE INC	4,401	0	0.0%	100.0%					
BOEING CO	34,622	14,443	29.4%	70.6%	41.07	0.68	0.71	10.0%	11.7%
BOISE CASCADE CORP	3,175	2,280	41.8%	58.2%	34.65	0.60	0.62	7.0%	8.8%
BOSTON SCIENTIFIC CORP	35,308	1,725	4.7%	95.3%					
BRISTOL MYERS SQUIBB	47,047	8,649	15.5%	84.5%	24.23	1.12	1.16	6.3%	11.1%
BROADCOM CORP -CL A	9,689	0	0.0%	100.0%					
BROWN-FORMAN -CL B	5,950	742	11.1%	88.9%	47.66	0.85	0.88	8.0%	9.9%
BRUNSWICK CORP	3,826	608	13.7%	86.3%	40.83	0.50	0.53	13.5%	14.8%
BURLINGTON NORTHERN SANTA FE	11,737	6,684	36.3%	63.7%	31.50	0.60	0.63	9.5%	11.5%
BURLINGTON RESOURCES INC	12,578	3,873	23.5%	76.5%	63.63	0.60	0.62	5.7%	6.7%
CALPINE CORP	1,941	17,677	90.1%	9.9%					
CAMPBELL SOUP CO	11,207	3,474	23.7%	76.3%	27.27	0.63	0.65	7.0%	9.4%
CAPITAL ONE FINL CORP	18,566	14,813	44.4%	55.6%	75.43	0.11	0.11	15.0%	15.2%
CARDINAL HEALTH INC	29,972	2,726	8.3%	91.7%	68.90	0.12	0.13	15.0%	15.2%
CAREMARK RX INC	14,897	696	4.5%	95.5%					
CARNIVAL CORP	28,359	7,404	20.7%	79.3%	44.91	0.50	0.53	13.0%	14.2%
CATERPILLAR INC	26,996	19,816	42.3%	57.7%	79.07	1.48	1.57	12.0%	14.0%
CENDANT CORP	25,124	20,787	45.3%	54.7%					
CENTERPOINT ENERGY INC	3,506	11,008	75.8%	24.2%	11.43	0.40	0.41	3.0%	6.6%
CENTEX CORP	6,689	10,204	60.4%	39.6%	54.06	0.08	0.09	15.0%	15.2%
CENTURYTEL INC	3,899	3,182	44.9%	55.1%	27.49	0.22	0.22	3.0%	3.8%
CHARTER ONE FINANCIAL INC	7,889	10,814	57.8%	42.2%	35.36	1.04	1.09	10.0%	13.1%
CHEVRONTEXACO CORP	93,914	12,597	11.8%	88.2%	87.78	2.92	3.04	8.2%	11.7%
CHIRON CORP	8,253	1,085	11.6%	88.4%					
CHUBB CORP	13,619	2,814	17.1%	82.9%	69.54	1.44	1.53	12.0%	14.2%
CIENA CORP	2,360	690	22.6%	77.4%					
CIGNA CORP	8,323	1,500	15.3%	84.7%	59.02	1.32	1.39	10.0%	12.3%
CINCINNATI FINANCIAL CORP	6,964	603	8.0%	92.0%	43.45	1.00	1.05	10.0%	12.4%
CINERGY CORP	7,340	5,322	42.0%	58.0%	40.89	1.84	1.88	4.0%	8.6%
CINTAS CORP	7,444	505	6.4%	93.6%	43.49	0.29	0.31	15.0%	15.7%
CIRCUIT CITY STORES INC	2,379	24	1.0%	99.0%	11.30	0.07	0.07	12.0%	12.7%
CISCO SYSTEMS INC	161,991	0	0.0%	100.0%					
CITIGROUP INC	266,617	450,161	62.8%	37.2%	51.70	1.40	1.48	12.0%	14.9%
CITIZENS COMMUNICATIONS CO	3,698	4,945	57.2%	42.8%					
CITRIX SYSTEMS INC	3,610	351	8.9%	91.1%					
CLEAR CHANNEL COMMUNICATIONS	26,115	7,065	21.3%	78.7%	42.35	0.40	0.44	18.0%	19.0%
CLOROX CO/DE	10,278	1,142	10.0%	90.0%	48.91	1.08	1.13	10.0%	12.3%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure $ Equity (millions)	$ Debt (millions)	% Debt	% Equity	DCF Model Inputs Price	Ann Div	Exp Div	Growth	DCF Equity Return
CMS ENERGY CORP	1,442	7,281	83.5%	16.5%					
COCA-COLA CO	122,997	5,423	4.2%	95.8%	50.30	0.88	0.92	10.0%	11.8%
COCA-COLA ENTERPRISES	11,098	11,646	51.2%	48.8%	24.17	0.16	0.17	11.0%	11.7%
COLGATE-PALMOLIVE CO	29,347	3,103	9.6%	90.4%	55.10	0.96	1.01	11.0%	12.8%
COMCAST CORP	64,577	26,996	29.5%	70.5%					
COMERICA INC.	9,477	5,063	34.8%	65.2%	54.32	2.00	2.08	8.0%	11.8%
COMPUTER ASSOCIATES INTL INC	15,554	2,300	12.9%	87.1%	26.86	0.08	0.09	15.0%	15.3%
COMPUTER SCIENCES CORP	7,565	2,450	24.5%	75.5%					
COMPUWARE CORP	2,848	0	0.0%	100.0%					
COMVERSE TECHNOLOGY INC	3,498	545	13.5%	86.5%					
CONAGRA FOODS INC	14,464	5,728	28.4%	71.6%	26.94	1.04	1.08	7.5%	11.5%
CONOCOPHILLIPS	47,763	17,780	27.1%	72.9%	69.81	1.72	1.78	7.0%	9.6%
CONSOLIDATED EDISON INC	10,327	7,094	40.7%	59.3%	44.10	2.24	2.27	3.0%	8.2%
CONSTELLATION ENERGY GRP INC	6,716	5,392	44.5%	55.5%	39.95	1.14	1.18	7.0%	10.0%
CONVERGYS CORP	2,178	135	5.8%	94.2%					
COOPER INDUSTRIES LTD	5,382	1,343	20.0%	80.0%	57.18	1.40	1.47	9.5%	12.1%
COOPER TIRE & RUBBER CO	1,493	878	37.0%	63.0%	20.15	0.42	0.44	10.0%	12.2%
COORS (ADOLPH) -CL B	2,474	1,251	33.6%	66.4%	69.45	0.82	0.86	10.0%	11.2%
CORNING INC	15,096	2,814	15.7%	84.3%					
COSTCO WHOLESALE CORP	17,263	1,320	7.1%	92.9%					
COUNTRYWIDE FINANCIAL CORP	17,809	71,934	80.2%	19.8%	95.90	0.60	0.64	12.0%	12.7%
CRANE CO	1,964	396	16.8%	83.2%	33.00	0.40	0.42	10.0%	11.3%
CSX CORP	6,514	7,314	52.9%	47.1%	30.29	0.40	0.42	12.0%	13.4%
CUMMINS INC	2,508	1,429	36.3%	63.7%	58.45	1.20	1.25	8.0%	10.1%
CVS CORP	14,011	1,076	7.1%	92.9%	35.30	0.23	0.24	12.0%	12.7%
DANA CORP	2,955	3,098	51.2%	48.8%	19.86	0.24	0.25	10.0%	11.3%
DANAHER CORP	14,372	1,299	8.3%	91.7%	93.37	0.10	0.11	15.0%	15.1%
DARDEN RESTAURANTS INC	4,086	669	14.1%	85.9%	24.79	0.08	0.08	12.3%	12.6%
DEERE & CO	17,116	14,205	45.4%	54.6%	69.31	0.88	0.92	10.0%	11.3%
DELL INC	86,082	505	0.6%	99.4%					
DELPHI CORP	5,581	3,235	36.7%	63.3%	9.96	0.28	0.29	10.0%	13.0%
DELTA AIR LINES INC	982	12,559	92.7%	7.3%					
DELUXE CORP	2,008	595	22.9%	77.1%					
DEVON ENERGY CORP	13,837	8,918	39.2%	60.8%	58.15	0.20	0.20	5.0%	5.4%
DILLARDS INC -CL A	1,520	2,291	60.1%	39.9%	19.16	0.16	0.16	4.5%	5.4%
DISNEY (WALT) CO	51,169	13,159	20.5%	79.5%	24.99	0.21	0.23	15.0%	15.9%
DOLLAR GENERAL CORP	6,460	282	4.2%	95.8%	19.20	0.14	0.15	15.0%	15.8%
DOMINION RESOURCES INC	20,938	18,480	46.9%	53.1%	64.30	2.58	2.64	5.0%	9.1%
DONNELLEY (R R) & SONS CO	6,685	928	12.2%	87.8%	30.25	1.04	1.09	9.5%	13.1%
DOVER CORP	7,877	1,068	11.9%	88.1%	38.77	0.60	0.64	13.0%	14.6%
DOW CHEMICAL	37,693	13,109	25.8%	74.2%	40.28	1.34	1.39	7.0%	10.4%
DOW JONES & CO INC	3,883	153	3.8%	96.2%	47.91	1.00	1.08	15.0%	17.2%
DTE ENERGY CO	7,136	8,516	54.4%	45.6%	41.15	2.06	2.11	5.0%	10.1%
DU PONT (E I) DE NEMOURS	42,211	10,215	19.5%	80.5%	42.22	1.40	1.47	9.5%	13.0%
DUKE ENERGY CORP	21,090	21,952	51.0%	49.0%	22.60	1.10	1.13	5.0%	10.0%
DYNEGY INC	1,108	6,235	84.9%	15.1%					
EASTMAN CHEMICAL CO	3,305	2,615	44.2%	55.8%	42.68	1.76	1.80	5.1%	9.3%
EASTMAN KODAK CO	7,501	3,248	30.2%	69.8%	26.17	0.50	0.51	3.0%	4.9%
EATON CORP	8,522	1,953	18.6%	81.4%	56.19	0.96	1.01	10.0%	11.8%
EBAY INC	45,309	127	0.3%	99.7%					
ECOLAB INC	7,341	675	8.4%	91.6%	28.53	0.32	0.34	12.0%	13.2%
EDISON INTERNATIONAL	7,914	14,347	64.4%	35.6%					
EL PASO CORP	4,557	23,580	83.8%	16.2%	7.11	0.16	0.17	8.0%	10.3%
ELECTRONIC ARTS INC	16,063	0	0.0%	100.0%					
ELECTRONIC DATA SYSTEMS CORP	9,913	5,763	36.8%	63.2%	19.35	0.60	0.64	12.0%	15.3%
EMC CORP/MA	32,909	140	0.4%	99.6%					
EMERSON ELECTRIC CO	25,272	4,380	14.8%	85.2%	59.92	1.60	1.68	9.5%	12.3%
ENGELHARD CORP	3,723	459	11.0%	89.0%	29.89	0.44	0.46	10.0%	11.5%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure				DCF Model Inputs				DCF Equity Return
	$ Equity (millions)	$ Debt (millions)	% Debt	% Equity	Price	Ann Div	Exp Div	Growth	
ENTERGY CORP	13,759	8,182	37.3%	62.7%	59.50	1.80	1.85	5.5%	8.6%
EOG RESOURCES INC	5,335	1,109	17.2%	82.8%	45.89	0.20	0.21	8.0%	8.5%
EQUIFAX INC	3,561	824	18.8%	81.2%	25.82	0.08	0.08	8.5%	8.8%
EQUITY OFFICE PROPERTIES TR	11,594	11,479	49.7%	50.3%	28.89	2.00	2.04	3.5%	10.5%
EQUITY RESIDENTIAL	8,315	5,360	39.2%	60.8%	29.85	1.73	1.77	5.0%	10.9%
EXELON CORP	22,742	15,760	40.9%	59.1%	68.87	2.00	2.05	5.0%	8.0%
EXPRESS SCRIPTS INC	5,782	455	7.3%	92.7%					
EXXON MOBIL CORP	272,727	9,545	3.4%	96.6%	41.59	1.00	1.05	9.5%	12.0%
FAMILY DOLLAR STORES	6,188	0	0.0%	100.0%	35.95	0.30	0.32	16.0%	16.9%
FANNIE MAE	72,390	961,732	93.0%	7.0%	74.35	1.80	1.92	12.8%	15.4%
FEDERAL HOME LOAN MORTG CORP	40,983	665,696	94.2%	5.8%	59.06	0.88	0.93	12.0%	13.6%
FEDERATED DEPT STORES	9,772	4,059	29.3%	70.7%	54.05	0.50	0.52	8.5%	9.5%
FEDERATED INVESTORS INC	3,415	332	8.9%	91.1%	31.43	0.34	0.36	12.3%	13.4%
FEDEX CORP	22,452	3,936	14.9%	85.1%	75.16	0.24	0.26	14.0%	14.3%
FIFTH THIRD BANCORP	31,280	22,233	41.5%	58.5%	55.37	1.16	1.24	13.0%	15.2%
FIRST DATA CORP	37,428	3,575	8.7%	91.3%	42.16	0.08	0.09	15.0%	15.2%
FIRST TENNESSEE NATL CORP	5,918	5,034	46.0%	54.0%	47.70	1.60	1.68	10.0%	13.5%
FIRSTENERGY CORP	12,890	12,065	48.3%	51.7%	39.08	1.50	1.53	4.0%	7.9%
FISERV INC	6,961	838	10.7%	89.3%					
FLEETBOSTON FINANCIAL CORP	47,968	28,735	37.5%	62.5%	44.90	1.40	1.46	8.5%	11.8%
FLUOR CORP	3,212	266	7.7%	92.3%	38.69	0.64	0.68	12.8%	14.6%
FORD MOTOR CO	23,890	179,804	88.3%	11.7%	13.57	0.40	0.41	5.0%	8.0%
FOREST LABORATORIES -CL A	26,341	0	0.0%	100.0%					
FORTUNE BRANDS INC	11,209	1,973	15.0%	85.0%	76.63	1.20	1.27	12.0%	13.7%
FPL GROUP INC	12,352	10,010	44.8%	55.2%	66.85	2.40	2.46	5.0%	8.7%
FRANKLIN RESOURCES INC	13,887	1,318	8.7%	91.3%	55.68	0.34	0.36	12.0%	12.6%
FREEPRT MCMOR COP&GLD -CL B	7,856	2,228	22.1%	77.9%	39.09	0.36	0.41	27.5%	28.5%
GANNETT CO	24,050	3,835	13.8%	86.2%	88.14	1.00	1.05	10.0%	11.2%
GAP INC	19,686	2,770	12.3%	87.7%	21.92	0.09	0.10	15.0%	15.4%
GATEWAY INC	1,713	0	0.0%	100.0%					
GENERAL DYNAMICS CORP	17,758	4,043	18.5%	81.5%	89.33	1.28	1.34	10.0%	11.5%
GENERAL ELECTRIC CO	305,775	304,921	49.9%	50.1%	30.52	0.80	0.84	10.0%	12.8%
GENERAL MILLS INC	17,497	8,703	33.2%	66.8%	46.68	1.10	1.15	10.0%	12.5%
GENERAL MOTORS CORP	26,470	274,756	91.2%	8.8%	47.10	2.00	2.07	6.5%	10.9%
GENUINE PARTS CO	5,702	678	10.6%	89.4%	32.72	1.18	1.22	6.0%	9.7%
GENZYME CORP	10,571	1,451	12.1%	87.9%					
GEORGIA-PACIFIC CORP	8,562	10,648	55.4%	44.6%	33.69	0.50	0.51	5.0%	6.5%
GILLETTE CO	39,373	3,312	7.8%	92.2%	39.10	0.65	0.69	11.0%	12.8%
GOLDEN WEST FINANCIAL CORP	17,051	29,029	63.0%	37.0%	111.95	0.40	0.42	12.0%	12.4%
GOLDMAN SACHS GROUP INC	50,434	247,467	83.1%	16.9%	104.35	1.00	1.07	13.0%	14.0%
GOODRICH CORP	3,326	2,215	40.0%	60.0%	28.07	0.80	0.84	11.0%	14.0%
GOODYEAR TIRE & RUBBER CO	1,497	4,941	76.7%	23.3%					
GRAINGER (W W) INC	4,365	149	3.3%	96.7%	48.00	0.74	0.78	10.0%	11.6%
GREAT LAKES CHEMICAL CORP	1,208	435	26.5%	73.5%	23.85	0.38	0.40	8.0%	9.7%
GUIDANT CORP	19,842	948	4.6%	95.4%	63.37	0.32	0.34	15.0%	15.5%
HALLIBURTON CO	13,363	3,455	20.5%	79.5%	30.39	0.50	0.54	15.0%	16.8%
HANCOCK JOHN FINL SVCS INC	12,815	1,982	13.4%	86.6%	43.69	0.35	0.37	11.0%	11.8%
HARLEY-DAVIDSON INC	15,706	994	6.0%	94.0%	53.34	0.32	0.34	15.0%	15.6%
HARRAHS ENTERTAINMENT INC	6,181	3,674	37.3%	62.7%	54.89	1.20	1.28	14.0%	16.3%
HARTFORD FINL SVCS GRP INC	18,559	5,663	23.4%	76.6%	63.70	1.12	1.19	12.0%	13.9%
HASBRO INC	3,795	712	15.8%	84.2%	21.75	0.12	0.13	11.0%	11.6%
HCA INC	19,274	8,707	31.1%	68.9%	40.62	0.08	0.08	12.0%	12.2%
HEALTH MANAGEMENT ASSOC	5,638	1,135	16.8%	83.2%	23.21	0.08	0.09	15.0%	15.4%
HEINZ (H J) CO	13,130	5,108	28.0%	72.0%	37.29	1.08	1.12	8.0%	11.0%
HERCULES INC	1,280	1,348	51.3%	48.7%					
HERSHEY FOODS CORP	8,217	981	10.7%	89.3%	82.85	1.58	1.66	10.0%	12.0%
HEWLETT-PACKARD CO	69,697	7,381	9.6%	90.4%	22.84	0.32	0.34	10.0%	11.5%
HILTON HOTELS CORP	6,165	4,139	40.2%	59.8%	16.25	0.08	0.09	14.0%	14.5%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure $ Equity (millions)	$ Debt (millions)	% Debt	% Equity	DCF Model Inputs Price	Ann Div	Exp Div	Growth	DCF Equity Return
HOME DEPOT INC	85,002	856	1.0%	99.0%	37.36	0.28	0.30	12.5%	13.3%
HONEYWELL INTERNATIONAL INC	29,070	5,160	15.1%	84.9%	33.85	0.75	0.79	10.0%	12.3%
HUMANA INC	3,083	862	21.8%	78.2%					
HUNTINGTON BANCSHARES	5,053	8,260	62.0%	38.0%	22.03	0.70	0.73	8.0%	11.3%
ILLINOIS TOOL WORKS	24,520	976	3.8%	96.2%	79.23	0.96	1.02	13.0%	14.3%
IMS HEALTH INC	5,461	562	9.3%	90.7%	23.26	0.08	0.09	15.0%	15.4%
INGERSOLL-RAND CO LTD	11,864	2,319	16.4%	83.6%	67.65	0.72	0.76	11.0%	12.1%
INTEL CORP	176,175	1,160	0.7%	99.3%	27.20	0.08	0.09	15.0%	15.3%
INTERPUBLIC GROUP OF COS	6,431	2,474	27.8%	72.2%					
INTL BUSINESS MACHINES CORP	156,074	23,632	13.2%	86.8%	91.84	0.64	0.67	10.0%	10.7%
INTL FLAVORS & FRAGRANCES	3,355	885	20.9%	79.1%					
INTL GAME TECHNOLOGY	15,592	1,555	9.1%	90.9%	44.96	0.40	0.43	15.0%	16.0%
INTL PAPER CO	20,305	15,537	43.3%	56.7%	42.26	1.00	1.03	6.0%	8.4%
INTUIT INC	8,786	0	0.0%	100.0%					
ITT INDUSTRIES INC	7,043	602	7.9%	92.1%	76.33	0.64	0.68	12.5%	13.4%
J P MORGAN CHASE & CO	86,340	191,457	68.9%	31.1%	41.95	1.36	1.43	10.0%	13.4%
JABIL CIRCUIT INC	5,886	659	10.1%	89.9%					
JANUS CAPITAL GROUP INC	3,923	853	17.9%	82.1%	16.38	0.04	0.04	10.0%	10.3%
JDS UNIPHASE CORP	5,845	464	7.3%	92.7%					
JEFFERSON-PILOT CORP	7,762	1,364	14.9%	85.1%	55.01	1.32	1.38	9.5%	12.0%
JOHNSON & JOHNSON	150,529	4,094	2.6%	97.4%	50.72	0.96	1.02	13.0%	15.0%
JOHNSON CONTROLS INC	11,153	2,679	19.4%	80.6%	59.15	0.90	0.96	12.5%	14.1%
JONES APPAREL GROUP INC	4,559	1,016	18.2%	81.8%	36.15	0.32	0.34	10.0%	10.9%
KB HOME	3,772	1,696	31.0%	69.0%	80.80	1.00	1.07	13.5%	14.8%
KELLOGG CO	16,182	5,164	24.2%	75.8%	39.24	1.01	1.05	8.5%	11.2%
KERR-MCGEE CORP	5,222	3,655	41.2%	58.8%	51.50	1.80	1.84	5.0%	8.6%
KEYCORP	12,579	20,908	62.4%	37.6%	30.29	1.22	1.26	7.0%	11.2%
KEYSPAN CORP	6,116	6,095	49.9%	50.1%	38.22	1.78	1.82	5.0%	9.8%
KIMBERLY-CLARK CORP	31,709	3,598	10.2%	89.8%	63.10	1.36	1.42	9.0%	11.3%
KINDER MORGAN INC	7,796	3,342	30.0%	70.0%	63.02	1.60	1.70	12.1%	14.8%
KING PHARMACEUTICALS INC	4,064	345	7.8%	92.2%					
KLA-TENCOR CORP	9,870	0	0.0%	100.0%					
KNIGHT-RIDDER INC	5,809	1,500	20.5%	79.5%	73.25	1.28	1.34	9.0%	10.8%
KOHLS CORP	16,443	1,089	6.2%	93.8%					
KROGER CO	12,377	8,363	40.3%	59.7%					
LEGGETT & PLATT INC	4,560	1,174	20.5%	79.5%	23.71	0.56	0.60	14.5%	17.0%
LEHMAN BROTHERS HOLDINGS INC	22,976	245,880	91.5%	8.5%	82.87	0.64	0.68	12.0%	12.8%
LEXMARK INTL INC -CL A	11,915	150	1.2%	98.8%					
LILLY (ELI) & CO	75,215	4,884	6.1%	93.9%	66.90	1.34	1.43	14.0%	16.1%
LIMITED BRANDS INC	10,334	648	5.9%	94.1%	20.00	0.40	0.42	11.3%	13.4%
LINCOLN NATIONAL CORP	8,455	1,503	15.1%	84.9%	47.32	1.34	1.42	12.0%	15.0%
LINEAR TECHNOLOGY CORP	11,582	0	0.0%	100.0%	37.09	0.24	0.27	23.5%	24.2%
LIZ CLAIBORNE INC	4,065	459	10.2%	89.8%	36.69	0.22	0.24	11.0%	11.6%
LOCKHEED MARTIN CORP	20,425	6,208	23.3%	76.7%	45.64	0.88	0.92	10.0%	12.0%
LOEWS CORP	10,954	6,262	36.4%	63.6%					
LOUISIANA-PACIFIC CORP	2,799	1,029	26.9%	73.1%					
LOWES COS	44,174	3,755	7.8%	92.2%	56.13	0.12	0.13	18.0%	18.2%
LSI LOGIC CORP	3,567	866	19.5%	80.5%					
LUCENT TECHNOLOGIES INC	17,508	6,490	27.0%	73.0%					
M & T BANK CORP	10,702	9,978	48.2%	51.8%	89.85	1.20	1.26	10.0%	11.4%
MANOR CARE INC	3,153	661	17.3%	82.7%	35.29	0.50	0.54	15.0%	16.5%
MARATHON OIL CORP	11,473	4,357	27.5%	72.5%	33.67	1.00	1.04	8.1%	11.2%
MARRIOTT INTL INC	9,738	1,455	13.0%	87.0%	42.55	0.30	0.32	15.0%	15.8%
MARSH & MCLENNAN COS	24,286	3,357	12.1%	87.9%	46.30	1.24	1.33	14.0%	16.9%
MARSHALL & ILSLEY CORP	8,401	7,668	47.7%	52.3%	37.81	0.72	0.76	10.0%	12.0%
MASCO CORP	13,773	4,182	23.3%	76.7%	30.44	0.64	0.69	14.5%	16.8%
MATTEL INC	7,927	661	7.7%	92.3%	18.44	0.40	0.42	10.0%	12.3%
MAXIM INTEGRATED PRODUCTS	15,407	0	0.0%	100.0%	46.97	0.32	0.36	25.0%	25.8%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure $ Equity (millions)	$ Debt (millions)	% Debt	% Equity	DCF Model Inputs Price	Ann Div	Exp Div	Growth	DCF Equity Return
MAY DEPARTMENT STORES CO	10,030	4,036	28.7%	71.3%	34.58	0.96	1.00	8.0%	10.9%
MAYTAG CORP	2,489	971	28.1%	71.9%	31.57	0.72	0.76	10.0%	12.4%
MBIA INC	9,053	18,273	66.9%	33.1%	62.70	0.80	0.85	12.5%	13.9%
MBNA CORP	35,302	13,171	27.2%	72.8%	27.63	0.40	0.43	13.3%	14.8%
MCCORMICK & CO	4,602	630	12.0%	88.0%	33.52	0.56	0.59	10.5%	12.3%
MCDONALDS CORP	36,048	9,731	21.3%	78.7%	28.57	0.40	0.42	8.0%	9.5%
MCGRAW-HILL COMPANIES	14,586	26	0.2%	99.8%	76.14	1.08	1.14	12.0%	13.5%
MCKESSON CORP	8,758	1,704	16.3%	83.7%	30.09	0.24	0.26	15.0%	15.9%
MEADWESTVACO CORP	5,688	4,238	42.7%	57.3%	28.29	0.92	0.94	5.0%	8.3%
MEDCO HEALTH SOLUTIONS INC	9,212	1,396	13.2%	86.8%					
MEDIMMUNE INC	5,729	708	11.0%	89.0%					
MEDTRONIC INC	57,883	2,466	4.1%	95.9%	47.75	0.29	0.31	16.0%	16.7%
MELLON FINANCIAL CORP	13,348	6,350	32.2%	67.8%	31.29	0.64	0.68	12.0%	14.2%
MERCK & CO	98,293	6,796	6.5%	93.5%	44.19	1.48	1.51	4.5%	7.9%
MERCURY INTERACTIVE CORP	4,125	811	16.4%	83.6%					
MEREDITH CORP	2,511	330	11.6%	88.4%	50.56	0.38	0.40	11.5%	12.3%
MERRILL LYNCH & CO	57,618	276,440	82.8%	17.2%	59.56	0.64	0.68	12.0%	13.1%
METLIFE INC	27,002	9,622	26.3%	73.7%	35.68	0.23	0.24	11.3%	12.0%
MGIC INVESTMENT CORP/WI	6,338	600	8.6%	91.4%	64.23	0.15	0.16	14.0%	14.2%
MICRON TECHNOLOGY INC	10,184	1,070	9.5%	90.5%					
MICROSOFT CORP	269,679	0	0.0%	100.0%	24.93	0.16	0.17	10.0%	10.7%
MILLIPORE CORP	2,533	291	10.3%	89.7%					
MOLEX INC	5,393	14	0.3%	99.7%	30.39	0.10	0.11	15.0%	15.4%
MONSANTO CO	9,737	1,510	13.4%	86.6%	36.67	0.52	0.55	10.0%	11.5%
MONSTER WORLDWIDE INC	3,031	40	1.3%	98.7%					
MOODYS CORP	10,596	302	2.8%	97.2%	70.80	0.18	0.19	15.0%	15.3%
MORGAN STANLEY	62,898	355,928	85.0%	15.0%	57.30	1.00	1.06	12.5%	14.4%
MOTOROLA INC	42,240	8,057	16.0%	84.0%	17.60	0.16	0.17	10.0%	11.0%
NABORS INDUSTRIES LTD	6,773	2,285	25.2%	74.8%					
NATIONAL CITY CORP	21,621	36,976	63.1%	36.9%	35.58	1.28	1.33	8.0%	11.7%
NATIONAL SEMICONDUCTOR CORP	7,970	23	0.3%	99.7%					
NAVISTAR INTERNATIONL	3,183	2,519	44.2%	55.8%					
NCR CORP	4,199	310	6.9%	93.1%					
NETWORK APPLIANCE INC	7,482	0	0.0%	100.0%					
NEW YORK TIMES CO -CL A	6,641	955	12.6%	87.4%	44.20	0.58	0.61	10.5%	11.9%
NEWELL RUBBERMAID INC	6,375	2,904	31.3%	68.7%	23.20	0.84	0.88	10.5%	14.3%
NEWMONT MINING CORP	18,678	1,077	5.5%	94.5%	46.63	0.20	0.21	15.0%	15.5%
NEXTEL COMMUNICATIONS	26,434	10,212	27.9%	72.1%					
NICOR INC	1,552	1,072	40.9%	59.1%	35.23	1.86	1.89	3.0%	8.4%
NIKE INC -CL B	13,418	866	6.1%	93.9%	77.87	0.80	0.86	14.0%	15.1%
NISOURCE INC	5,889	6,800	53.6%	46.4%	21.25	0.92	0.94	4.0%	8.4%
NOBLE CORP	5,168	590	10.2%	89.8%					
NORDSTROM INC	5,484	1,243	18.5%	81.5%	39.90	0.44	0.47	12.0%	13.2%
NORFOLK SOUTHERN CORP	8,656	7,876	47.6%	52.4%	22.09	0.32	0.34	10.0%	11.5%
NORTH FORK BANCORPORATION	6,471	3,957	37.9%	62.1%	42.32	1.08	1.14	10.3%	13.0%
NORTHERN TRUST CORP	10,269	9,767	48.7%	51.3%	46.59	0.76	0.81	12.0%	13.7%
NORTHROP GRUMMAN CORP	18,432	5,881	24.2%	75.8%	98.42	1.60	1.68	10.0%	11.7%
NOVELL INC	4,368	0	0.0%	100.0%					
NOVELLUS SYSTEMS INC	4,856	13	0.3%	99.7%					
NUCOR CORP	4,851	904	15.7%	84.3%	61.48	0.80	0.85	13.5%	14.9%
NVIDIA CORP	4,368	5	0.1%	99.9%					
OCCIDENTAL PETROLEUM CORP	17,874	4,495	20.1%	79.9%	46.05	1.04	1.07	5.5%	7.8%
OFFICE DEPOT INC	5,845	842	12.6%	87.4%					
OMNICOM GROUP	15,290	2,591	14.5%	85.5%	80.25	0.80	0.85	12.5%	13.6%
ORACLE CORP	62,340	170	0.3%	99.7%					
PACCAR INC	9,832	3,828	28.0%	72.0%	56.05	0.59	0.62	12.5%	13.6%
PACTIV CORP	3,422	1,341	28.2%	71.8%					
PALL CORP	2,854	558	16.4%	83.6%	22.69	0.36	0.38	10.0%	11.7%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure $ Equity (millions)	$ Debt (millions)	% Debt	% Equity	DCF Model Inputs Price	Ann Div	Exp Div	Growth	DCF Equity Return
PARAMETRIC TECHNOLOGY CORP	1,211	0	0.0%	100.0%					
PARKER-HANNIFIN CORP	6,737	1,011	13.1%	86.9%	56.50	0.76	0.80	10.0%	11.4%
PAYCHEX INC	13,445	0	0.0%	100.0%	35.60	0.48	0.52	18.0%	19.5%
PENNEY (J C) CO	9,496	5,669	37.4%	62.6%	34.78	0.50	0.52	9.0%	10.5%
PEOPLES ENERGY CORP	1,651	1,089	39.7%	60.3%	44.65	2.12	2.17	5.0%	9.9%
PEOPLESOFT INC	7,716	0	0.0%	100.0%					
PEPSI BOTTLING GROUP INC	7,676	5,740	42.8%	57.2%	29.75	0.04	0.04	10.0%	10.1%
PEPSICO INC	92,153	2,293	2.4%	97.6%	53.85	0.64	0.68	11.4%	12.7%
PERKINELMER INC	2,639	549	17.2%	82.8%	20.69	0.28	0.31	18.5%	20.0%
PFIZER INC	267,258	14,573	5.2%	94.8%	35.05	0.60	0.64	13.0%	14.8%
PG&E CORP	11,450	4,921	30.1%	69.9%					
PHELPS DODGE CORP	7,431	1,959	20.9%	79.1%					
PINNACLE WEST CAPITAL	3,593	3,409	48.7%	51.3%	39.35	1.80	1.83	3.0%	7.6%
PITNEY BOWES INC	9,889	3,574	26.5%	73.5%	42.61	1.20	1.24	7.0%	9.9%
PLUM CREEK TIMBER CO INC	5,949	2,064	25.8%	74.2%	32.48	1.40	1.43	5.0%	9.4%
PMC-SIERRA INC	2,993	175	5.5%	94.5%					
PNC FINANCIAL SVCS GROUP INC	15,676	11,453	42.2%	57.8%	55.42	2.00	2.08	8.0%	11.8%
POWER-ONE INC	925	11	1.2%	98.8%					
PPG INDUSTRIES INC	9,999	1,666	14.3%	85.7%	58.30	1.76	1.83	8.0%	11.1%
PPL CORP	8,105	8,596	51.5%	48.5%	45.60	1.54	1.58	5.0%	8.5%
PRAXAIR INC	12,064	2,816	18.9%	81.1%	37.12	0.54	0.57	10.0%	11.5%
PRICE (T. ROWE) GROUP	6,775	0	0.0%	100.0%	53.83	0.76	0.81	12.0%	13.5%
PRINCIPAL FINANCIAL GRP INC	11,429	4,385	27.7%	72.3%	35.63	0.45	0.48	12.0%	13.3%
PROCTER & GAMBLE CO	135,547	18,521	12.0%	88.0%	104.88	1.82	1.92	11.0%	12.8%
PROGRESS ENERGY INC	11,538	10,806	48.4%	51.6%	47.08	2.24	2.28	3.8%	8.6%
PROGRESSIVE CORP-OHIO	19,012	1,490	7.3%	92.7%	87.60	0.10	0.11	12.5%	12.6%
PROLOGIS	6,499	2,991	31.5%	68.5%	35.87	1.44	1.48	5.5%	9.6%
PROVIDIAN FINANCIAL CORP	3,814	1,272	25.0%	75.0%					
PRUDENTIAL FINANCIAL INC	23,861	20,003	45.6%	54.4%	44.78	0.50	0.53	13.5%	14.7%
PUBLIC SERVICE ENTRP GRP INC	11,048	14,052	56.0%	44.0%	46.98	2.16	2.20	4.0%	8.7%
PULTE HOMES INC	7,037	2,630	27.2%	72.8%	55.60	0.20	0.21	13.0%	13.4%
QLOGIC CORP	3,128	0	0.0%	100.0%					
QUALCOMM INC	53,371	117	0.2%	99.8%	66.29	0.28	0.30	16.5%	17.0%
QUEST DIAGNOSTICS INC	8,582	1,103	11.4%	88.6%					
QWEST COMMUNICATION INTL INC	7,636	17,508	69.6%	30.4%					
RADIOSHACK CORP	5,370	619	10.3%	89.7%	33.16	0.25	0.26	11.0%	11.8%
RAYTHEON CO	13,181	7,391	35.9%	64.1%	31.34	0.80	0.85	12.0%	14.7%
REEBOK INTERNATIONAL LTD	2,472	361	12.8%	87.2%	41.35	0.30	0.32	14.5%	15.3%
REGIONS FINL CORP	8,120	10,139	55.5%	44.5%	36.52	1.28	1.33	8.0%	11.6%
RJ REYNOLDS TOBACCO HLDGS	5,147	1,727	25.1%	74.9%	60.50	3.80	3.93	7.0%	13.5%
ROBERT HALF INTL INC	4,051	2	0.1%	99.9%					
ROCKWELL AUTOMATION	6,484	768	10.6%	89.4%	34.67	0.66	0.70	12.5%	14.5%
ROCKWELL COLLINS INC	5,643	264	4.5%	95.5%	31.61	0.36	0.38	12.0%	13.2%
ROHM & HAAS CO	8,925	2,575	22.4%	77.6%	39.84	0.88	0.92	10.0%	12.3%
ROWAN COS INC	2,230	624	21.9%	78.1%					
RYDER SYSTEM INC	2,535	1,816	41.7%	58.3%	38.73	0.60	0.64	13.5%	15.2%
SABRE HOLDINGS CORP -CL A	3,470	588	14.5%	85.5%	24.81	0.28	0.29	9.5%	10.7%
SAFECO CORP	5,996	1,965	24.7%	75.3%	43.12	0.74	0.77	9.0%	10.8%
SAFEWAY INC	9,154	7,822	46.1%	53.9%					
SANMINA-SCI CORP	5,728	1,927	25.2%	74.8%					
SARA LEE CORP	17,295	5,803	25.1%	74.9%	21.86	0.75	0.78	7.0%	10.6%
SBC COMMUNICATIONS INC	81,184	17,939	18.1%	81.9%	24.54	1.08	1.10	4.0%	8.5%
SCHERING-PLOUGH	23,870	3,433	12.6%	87.4%	16.22	0.22	0.24	19.4%	20.9%
SCHLUMBERGER LTD	37,586	7,509	16.7%	83.3%	63.85	0.75	0.81	15.0%	16.3%
SCHWAB (CHARLES) CORP	15,834	1,863	10.5%	89.5%	11.61	0.06	0.06	15.0%	15.5%
SCIENTIFIC-ATLANTA INC	4,933	10	0.2%	99.8%	32.34	0.04	0.04	8.0%	8.1%
SEALED AIR CORP	4,232	2,280	35.0%	65.0%					
SEARS ROEBUCK & CO	9,577	8,201	46.1%	53.9%	42.96	0.92	0.95	7.0%	9.2%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure $ Equity (millions)	$ Debt (millions)	% Debt	% Equity	DCF Model Inputs Price	Ann Div	Exp Div	Growth	DCF Equity Return
SEMPRA ENERGY	7,226	5,664	43.9%	56.1%	31.80	1.00	1.04	7.0%	10.3%
SHERWIN-WILLIAMS CO	5,533	514	8.5%	91.5%	38.43	0.62	0.65	10.0%	11.7%
SIEBEL SYSTEMS INC	5,793	8	0.1%	99.9%					
SIGMA-ALDRICH	3,832	243	6.0%	94.0%	55.38	0.64	0.67	10.0%	11.2%
SIMON PROPERTY GROUP INC	11,746	10,266	46.6%	53.4%	58.44	2.60	2.70	7.8%	12.4%
SLM CORP	18,520	58,544	76.0%	24.0%	41.85	0.68	0.73	14.5%	16.2%
SNAP-ON INC	1,881	333	15.1%	84.9%	32.34	1.00	1.06	12.0%	15.3%
SOLECTRON CORP	5,250	3,252	38.3%	61.7%					
SOUTHERN CO	22,433	13,373	37.3%	62.7%	30.50	1.40	1.43	4.5%	9.2%
SOUTHTRUST CORP	10,957	11,963	52.2%	47.8%	33.17	0.84	0.89	11.0%	13.7%
SOUTHWEST AIRLINES	11,217	1,538	12.1%	87.9%	14.21	0.02	0.02	15.0%	15.1%
SPRINT FON GROUP	17,331	1,745	9.1%	90.9%	18.43	0.50	0.54	16.1%	19.0%
SPRINT PCS GROUP	7,485	17,415	69.9%	30.1%					
ST JUDE MEDICAL INC	12,639	364	2.8%	97.2%					
ST PAUL COS	9,166	3,750	29.0%	71.0%	40.01	1.16	1.23	12.0%	15.1%
STANLEY WORKS	3,475	692	16.6%	83.4%	42.68	1.04	1.10	12.0%	14.6%
STAPLES INC	12,643	758	5.7%	94.3%					
STARBUCKS CORP	15,002	5	0.0%	100.0%					
STARWOOD HOTELS&RESORTS WRLD	8,374	4,626	35.6%	64.4%	40.50	0.84	0.90	15.0%	17.2%
STATE STREET CORP	17,490	27,484	61.1%	38.9%	52.13	0.60	0.64	13.0%	14.2%
STRYKER CORP	17,696	26	0.1%	99.9%	88.53	0.14	0.15	20.0%	20.2%
SUN MICROSYSTEMS INC	13,706	1,477	9.7%	90.3%					
SUNGARD DATA SYSTEMS INC	7,924	200	2.5%	97.5%					
SUNOCO INC	4,722	1,453	23.5%	76.5%	62.38	1.10	1.19	15.6%	17.5%
SUNTRUST BANKS INC	19,653	28,995	59.6%	40.4%	69.71	1.80	1.88	9.0%	11.7%
SUPERVALU INC	4,105	1,936	32.1%	67.9%	30.54	0.58	0.61	9.0%	11.0%
SYMANTEC CORP	14,410	600	4.0%	96.0%					
SYMBOL TECHNOLOGIES	3,221	99	3.0%	97.0%	13.80	0.02	0.02	15.5%	15.7%
SYNOVUS FINANCIAL CP	7,397	2,931	28.4%	71.6%	24.45	0.66	0.70	12.3%	15.2%
SYSCO CORP	25,176	1,533	5.7%	94.3%	39.05	0.52	0.56	15.0%	16.4%
TARGET CORP	41,052	11,083	21.3%	78.7%	45.04	0.28	0.30	15.0%	15.7%
TECO ENERGY INC	2,753	4,462	61.8%	38.2%	14.63	0.76	0.77	3.0%	8.3%
TEKTRONIX INC	2,782	11	0.4%	99.6%	32.71	0.16	0.17	11.0%	11.5%
TELLABS INC	3,597	0	0.0%	100.0%					
TEMPLE-INLAND INC	3,500	8,173	70.0%	30.0%	63.34	1.36	1.40	6.0%	8.2%
TENET HEALTHCARE CORP	5,194	4,057	43.9%	56.1%					
TERADYNE INC	4,621	415	8.2%	91.8%					
TEXAS INSTRUMENTS INC	50,678	832	1.6%	98.4%	29.22	0.08	0.09	20.0%	20.3%
TEXTRON INC	7,308	6,460	46.9%	53.1%	53.15	1.30	1.38	12.0%	14.6%
THERMO ELECTRON CORP	4,684	275	5.6%	94.4%					
THOMAS & BETTS CORP	1,280	685	34.9%	65.1%					
TIFFANY & CO	5,597	487	8.0%	92.0%	38.17	0.20	0.22	18.0%	18.6%
TIME WARNER INC	73,875	25,745	25.8%	74.2%					
TJX COMPANIES INC	12,360	670	5.1%	94.9%	24.56	0.14	0.15	15.0%	15.6%
TORCHMARK CORP	6,045	876	12.7%	87.3%	53.79	0.44	0.46	10.0%	10.9%
TOYS R US INC	3,588	3,006	45.6%	54.4%					
TRANSOCEAN INC	8,946	3,658	29.0%	71.0%					
TRAVELERS PPTY CAS CP -CL B	17,355	2,675	13.4%	86.6%	17.27	0.32	0.34	12.0%	14.0%
TRIBUNE CO	16,654	2,543	13.2%	86.8%	50.44	0.44	0.47	12.0%	12.9%
TXU CORP	9,286	14,290	60.6%	39.4%	28.66	0.50	0.52	6.0%	7.8%
TYCO INTERNATIONAL LTD	57,297	18,907	24.8%	75.2%	28.65	0.05	0.05	13.0%	13.2%
U S BANCORP	53,085	44,666	45.7%	54.3%	27.65	0.96	1.01	10.0%	13.6%
UNION PACIFIC CORP	15,485	7,989	34.0%	66.0%	59.82	1.20	1.27	12.3%	14.4%
UNION PLANTERS CORP	5,652	5,076	47.3%	52.7%	29.85	1.33	1.38	7.0%	11.6%
UNISYS CORP	4,754	1,068	18.3%	81.7%					
UNITED PARCEL SERVICE INC	39,861	3,823	8.8%	91.2%	69.84	1.12	1.20	14.0%	15.7%
UNITED STATES STEEL CORP	4,218	1,933	31.4%	68.6%	37.27	0.20	0.21	8.0%	8.6%
UNITED TECHNOLOGIES CORP	44,501	5,301	10.6%	89.4%	86.30	1.40	1.47	10.0%	11.7%

S&P 500 COMPANIES

S&P 500 Companies	Capital Structure $ Equity (millions)	$ Debt (millions)	% Debt	% Equity	DCF Model Inputs Price	Ann Div	Exp Div	Growth	DCF Equity Return
UNITEDHEALTH GROUP INC	40,011	1,979	4.7%	95.3%	64.44	0.01	0.02	17.0%	17.0%
UNIVISION COMMUNICATIONS INC	8,382	1,374	14.1%	85.9%					
UNOCAL CORP	9,766	3,405	25.9%	74.1%	37.28	0.80	0.82	5.0%	7.2%
UNUMPROVIDENT CORP	4,965	2,789	36.0%	64.0%	14.63	0.30	0.32	10.0%	12.2%
UST INC	5,980	1,140	16.0%	84.0%	36.10	2.00	2.07	7.0%	12.7%
VERITAS SOFTWARE CO	11,506	910	7.3%	92.7%					
VERIZON COMMUNICATIONS	102,312	45,380	30.7%	69.3%	36.54	1.54	1.56	2.3%	6.6%
VF CORP	5,113	991	16.2%	83.8%	46.70	1.04	1.08	8.0%	10.3%
VIACOM INC -CL B	68,224	9,879	12.6%	87.4%	39.21	0.24	0.26	15.0%	15.7%
VISTEON CORP	1,238	1,818	59.5%	40.5%	9.57	0.24	0.25	5.5%	8.1%
VULCAN MATERIALS CO	4,841	886	15.5%	84.5%	47.44	0.98	1.03	9.5%	11.7%
WACHOVIA CORP	61,799	108,020	63.6%	36.4%	47.00	1.40	1.47	10.0%	13.1%
WAL-MART STORES	258,325	26,822	9.4%	90.6%	59.69	0.36	0.39	14.0%	14.6%
WALGREEN CO	n/a	n/a							
WASHINGTON MUTUAL INC	37,089	94,157	71.7%	28.3%	42.71	1.64	1.73	11.5%	15.6%
WASTE MANAGEMENT INC	17,585	8,511	32.6%	67.4%	30.18	0.01	0.01	13.5%	13.5%
WATERS CORP	4,875	246	4.8%	95.2%					
WATSON PHARMACEUTICALS INC	4,651	723	13.4%	86.6%					
WELLPOINT HEALTH NETWRKS INC	17,638	1,238	6.6%	93.4%					
WELLS FARGO & CO	96,313	88,301	47.8%	52.2%	56.67	1.80	1.91	12.0%	15.4%
WENDY'S INTERNATIONAL INC	4,655	744	13.8%	86.2%	40.69	0.24	0.26	13.0%	13.6%
WEYERHAEUSER CO	14,508	12,494	46.3%	53.7%	65.50	1.60	1.65	6.0%	8.5%
WHIRLPOOL CORP	4,739	1,413	23.0%	77.0%	68.87	1.36	1.40	5.8%	7.8%
WILLIAMS COS INC	4,975	11,979	70.7%	29.3%	9.57	0.04	0.04	10.0%	10.4%
WINN-DIXIE STORES INC	1,077	330	23.5%	76.5%	7.60	0.20	0.20	5.0%	7.7%
WORTHINGTON INDUSTRIES	1,659	294	15.1%	84.9%	19.17	0.64	0.67	10.0%	13.5%
WRIGLEY (WM) JR CO	13,301	0	0.0%	100.0%	59.12	0.88	0.93	11.0%	12.6%
WYETH	50,057	9,589	16.1%	83.9%	37.55	0.92	0.97	10.0%	12.6%
XCEL ENERGY INC	7,091	6,737	48.7%	51.3%	17.81	0.75	0.76	3.5%	7.8%
XEROX CORP	11,567	12,975	52.9%	47.1%					
XILINX INC	13,018	0	0.0%	100.0%					
XL CAPITAL LTD	10,498	1,905	15.4%	84.6%	76.04	1.92	2.04	13.0%	15.7%
YAHOO INC	32,253	750	2.3%	97.7%					
YUM BRANDS INC	11,017	2,066	15.8%	84.2%					
ZIMMER HOLDINGS INC	17,984	1,109	5.8%	94.2%					
ZIONS BANCORPORATION	5,121	4,660	47.6%	52.4%	57.10	1.20	1.27	11.0%	13.2%
Average			24.8%	75.2%				10.7%	12.7%
Market Weighted Average	**20,804**	**14,786**	**41.5%**	**58.5%**					**13.1%**

Levered Beta (Market Beta) **1.00**

Unlevered Beta (@ 35% Tax Rate) ***0.68***

$B_u = B_l / 1+(1-t)\ W_d/W_e$

Data Sources:
Merrill Lynch Quantitative Analysis March 2004
Value Line Summary and Index as of 4/2/04
Compustat CD-ROM as of 3/31/04

QWEST CORPORATION - ARIZONA
CAPITAL STRUCTURE
December 2003
Dollars in thousands

Account	**Debt**	Capital	Interest	Cost of Debt
4020	Short Term Borrowings	$0	$0	0.00%
4050	Current Maturities - LT Debt	$142,625	$10,297	7.22%
4060	Current Maturities - Capital Leases	$1,577	$141	8.95%
	Total Short Term Debt	$144,202	$10,438	7.24%
4210	Funded Debt	$1,147,852	$84,497	
4220	Premium on LT Debt	$0	$0	
4230	Discount on LT Debt	-$25,650	$465	
1407	Debt Issuance Expenses	$27,201	$1,453	
	Net Funded Debt	$1,095,000	$86,415	7.89%
4250	Obligations Under Capital Leases	$1,191	$107	8.95%
4270	Other Long Term Debt	$2,609	$170	6.52%
	Total Long Term Debt	$1,098,801	$86,692	7.89%
	Total Debt	**$1,243,002**	**$97,130**	**7.81%**
	Equity			
4510	Capital Stock	$1,360,753		
4520	Additional Paid-in Capital	$10,692		
4550	Retained Earnings	-$960,942		
	Total Equity	**$410,503**		
	Total Capital	**$1,653,505**		
	Debt Ratio	**75.2%**		
	Equity Ratio	**24.8%**		

DCF Model
Telephone Companies

Company	Price	Expected Dividends Qtr 1	Qtr 2	Qtr 3	Qtr 4	Yield	Growth Rate	Equity Cost
	A	B	C	D	E	F	G	H = F+G
BellSouth	27.007	0.250	0.250	0.250	0.258	3.8%	3.0%	6.8%
SBC Communications	24.223	0.313	0.313	0.313	0.325	5.4%	4.0%	9.4%
Verizon	36.507	0.385	0.385	0.385	0.385	4.3%	2.3%	6.6%
ALLTEL Corp	49.808	0.370	0.370	0.370	0.381	3.1%	5.0%	8.1%
CenturyTel Inc	27.621	0.058	0.058	0.058	0.059	0.9%	3.0%	3.9%
Citizens Comm Company	12.766					n/a	7.0%	
							Mean	**7.0%**

Notes:

Expected dividends (current and future payments) are based upon historical increase patterns for each company

Dividend Yield is taken from the quarterly DCF calculation

$$\frac{D(1+K)^{.75} + D(1+K)^{.50} + D(1+K)^{.25} + D(1+K)^{0}}{\text{Price}}$$

10-day average closing prices from Microsoft Investor Web Site For the period 3/18/04 through 3/31/04

Growth Rates are from IBES.

DCF Model
Comparable Risk Companies

Company	Price	Expected Dividends Qtr 1	Qtr 2	Qtr 3	Qtr 4	Yield	Growth Rate	Equity Cost
	A	B	C	D	E	F	G	H = F+G
Abbott Laboratories	40.188	0.260	0.260	0.260	0.260	2.7%	12.0%	14.7%
AFLAC Inc	39.969	0.095	0.095	0.095	0.109	1.0%	15.0%	16.0%
Air Products & Chemicals	48.691	0.230	0.253	0.253	0.253	2.1%	10.0%	12.1%
Anheuser Busch Cos Inc	50.814	0.220	0.244	0.244	0.244	2.0%	11.0%	13.0%
Automatic Data Processing	41.410	0.140	0.140	0.140	0.154	1.4%	10.0%	11.4%
Barrick Gold Corp	22.659	0.110	-	0.110	-	1.0%	10.0%	11.0%
Brown-Forman Cl B	46.843	0.213	0.213	0.213	0.230	1.9%	8.0%	9.9%
California Water Service Gr	27.861	0.283	0.283	0.283	0.294	4.2%	4.0%	8.2%
Coca Cola Co	49.016	0.250	0.250	0.500	-	2.1%	10.0%	12.1%
Colgate-Palmolive Co	54.532	0.266	0.266	0.266	0.266	2.0%	11.0%	13.0%
Danaher Corp	91.098	0.025	0.025	0.025	0.025	0.1%	15.0%	15.1%
Deluxe Corp	39.542	0.370	0.370	0.370	0.370	3.9%	8.0%	11.9%
Ecolab Inc	27.562	0.080	0.080	0.080	0.090	1.3%	12.0%	13.3%
Emerson Electric	60.103	0.400	0.400	0.438	0.438	2.9%	9.5%	12.4%
E W Scripps - CL A	98.383	0.175	0.175	0.175	0.200	0.8%	14.3%	15.1%
Gillette Co	38.502	0.163	0.163	0.163	0.163	1.8%	11.0%	12.8%
Illinois Tool Works	77.222	0.240	0.240	0.271	0.271	1.4%	13.0%	14.4%
Johnson & Johnson	50.187	0.271	0.271	0.271	0.271	2.3%	13.0%	15.3%
Leggett & Platt Inc	23.048	0.280	0.150	-	0.150	2.7%	14.5%	17.2%
McDonalds Corp	28.195	-	-	0.440	-	1.6%	8.0%	9.6%
MGIC Investment Corp	63.347	0.038	0.043	0.043	0.043	0.3%	14.0%	14.3%
Middlesex Water Co	19.984	0.165	0.165	0.177	0.177	3.6%	7.0%	10.6%
Sherwin-Williams Co	35.841	0.170	0.170	0.170	0.187	2.0%	10.0%	12.0%
UnitedHealth Group Inc	63.188	0.030	-	-	-	0.1%	17.0%	17.1%
UST Inc	35.898	0.520	0.520	0.520	0.520	6.1%	7.0%	13.1%
Vulcan Materials	46.503	0.260	0.260	0.260	0.285	2.4%	9.5%	11.9%
WPS Resources Corp	47.382	0.545	0.567	0.567	0.567	4.9%	4.0%	8.9%

Mean	**12.8%**
Truncated Mean (Eliminate the High and Low Estimates)	**12.8%**

Notes: Expected dividends (current and future payments) are based upon historical increase patterns for each company

Dividend Yield is taken from the quarterly DCF calculation

$$\frac{D(1+K)^{.75} + D(1+K)^{.50} + D(1+K)^{.25} + D(1+K)^{0}}{\text{Price}}$$

10-day average closing prices from Microsoft Investor Web Site (for the period 3/18/04 thru 3/31/04)

Growth Rates are from IBES.

CAPM
Telephone Companies

Company	Risk Free Rate A	Average Beta B	Market Risk Premium C	Beta x MRP D = BxC	Equity Cost E = A+D
BellSouth	3.80%	0.97	8.2%	8.0%	11.8%
SBC Communications	3.80%	0.97	8.2%	8.0%	11.8%
Verizon	3.80%	0.99	8.2%	8.1%	11.9%
ALLTEL Corp	3.80%	0.94	8.2%	7.7%	11.5%
CenturyTel Inc	3.80%	1.01	8.2%	8.3%	12.1%
Citizens	3.80%	1.15	8.2%	9.4%	13.2%
Mean		**1.01**			**12.1%**

Notes: The CAPM cost of equity estimate formula is:
Risk Free Rate + (Beta x Market Risk Premium)
Risk Free rate is the average of the 10-yr U.S. Treasury bond yields from the Federal Reserve Statistical Release -- the H15 Report (for the period 3/18/04 thru 3/31/04)
Beta is average of Merrill Lynch and Value Line published betas
Market Risk Premium is an average of Ex-Post/Ex-Ante risk premiums.
7.2% Ex-Post is the arithmetic mean risk premium for Market Results 1926-2003 from Ibbotson Associates (Ibbotson Associates Risk Premia over Time Report 2004)
9.2% Ex-Ante risk premium is the S&P 500 DCF equity estimate minus the long term Treasury bond yield

CAPM
Comparable Risk Companies

	Risk Free Rate A	Average Beta B	Market Risk Premium C	Beta x MRP D = BxC	Equity Cost E = A+D
Abbott Laboratories	3.80%	0.67	8.2%	5.5%	9.3%
AFLAC Inc	3.80%	0.83	8.2%	6.8%	10.6%
Air Products & Chemicals	3.80%	0.95	8.2%	7.8%	11.6%
Anheuser Busch Cos Inc	3.80%	0.44	8.2%	3.6%	7.4%
Automatic Data Processir	3.80%	1.01	8.2%	8.3%	12.1%
Barrick Gold Corp	3.80%	0.45	8.2%	3.7%	7.5%
Brown-Forman Cl B	3.80%	0.65	8.2%	5.3%	9.1%
California Water Service	3.80%	0.65	8.2%	5.3%	9.1%
Coca Cola Co	3.80%	0.59	8.2%	4.8%	8.6%
Colgate-Palmolive Co	3.80%	0.68	8.2%	5.6%	9.4%
Danaher Corp	3.80%	0.98	8.2%	8.0%	11.8%
Deluxe Corp	3.80%	0.80	8.2%	6.6%	10.4%
Ecolab Inc	3.80%	0.83	8.2%	6.8%	10.6%
Emerson Electric	3.80%	1.00	8.2%	8.2%	12.0%
E W Scripps - CL A	3.80%	0.79	8.2%	6.5%	10.3%
Gillette Co	3.80%	0.58	8.2%	4.8%	8.6%
Illinois Tool Works	3.80%	0.96	8.2%	7.9%	11.7%
Johnson & Johnson	3.80%	0.61	8.2%	5.0%	8.8%
Leggett & Platt Inc	3.80%	1.04	8.2%	8.5%	12.3%
McDonalds Corp	3.80%	0.93	8.2%	7.6%	11.4%
MGIC Investment Corp	3.80%	1.11	8.2%	9.1%	12.9%
Middlesex Water Co	3.80%	0.55	8.2%	4.5%	8.3%
Sherwin-Williams Co	3.80%	0.91	8.2%	7.5%	11.3%
UnitedHealth Group Inc	3.80%	0.60	8.2%	4.9%	8.7%
UST Inc	3.80%	0.72	8.2%	5.9%	9.7%
Vulcan Materials	3.80%	0.92	8.2%	7.5%	11.3%
WPS Resources Corp	3.80%	0.75	8.2%	6.2%	10.0%
	Mean	**0.78**			**10.2%**
	Truncated Mean				**10.2%**
	(Eliminate the High and Low Estimates)				

Notes: The CAPM cost of equity estimate formula is:
Risk Free Rate + (Beta x Market Risk Premium)
Risk Free rate is the average of the 10-yr U.S. Treasury bond yields from the Federal Reserve Statistical Release -- the H15 Report (for the period 3/18/04 thru 3/31/04)
Beta is average of Merrill Lynch and Value Line published betas
Market Risk Premium is an average of Ex-Post/Ex-Ante risk premiums.
7.2% Ex-Post is the arithmetic mean risk premium for Market Results 1926-2003 from Ibbotson Associates (Ibbotson Associates Risk Premia over Time Report 2004)
9.2% Ex-Ante risk premium is the S&P 500 DCF equity estimate minus the long term Treasury bond yield

CAPM MARKET RETURN
Standard & Poor's 500 Companies

The Expected Return on the Market (Rm) is equal to
the risk free rate of interest (Rf) plus Beta times the Market Risk Premium (MRP).

Rm = Rf + (Beta x MRP)

Risk Free Rate

Long Term (10 Year Treasury Bond Yields)	3.80%

Market Risk Premium

Long Term - Avg of Ex Post and Ex Ante		8.2%
Ex Post (Ibbotson Data)	7.2%	
Ex Ante (S&P 500 DCF - Risk Free Rate)	9.2%	

Beta By definition, the Beta of the market portfolio is 1.0

CAPM Expected Return on the Market

3.80% + 1.0 x 8.2% = 12.0%

Notes:

Risk Free rate is the average of the 10-yr U.S. Treasury bond
yields from the Federal Reserve
Statistical Release -- the H15 Report
(for the period 3/18/04 thru 3/31/04)

Market Risk Premium is an average of Ex-Post/Ex-Ante risk premiums.
7.2% Ex-Post is the arithmetic mean risk premium for
Market Results 1926-2003 from Ibbotson Associates
(Ibbotson Associates Risk Premia over Time Report 2004)
9.2% Ex-Ante risk premium is the S&P 500 DCF equity
estimate minus the long term Treasury bond yield

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF QWEST CORPORATION'S FILING OF RENEWED PRICE REGULATION PLAN	)	**DOCKET NO. T-0105B-03-0454**
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS	)	**DOCKET NO. T-00000D-00-0672**

STATE OF WASHINGTON)
: ss AFFIDAVIT OF PETER C. CUMMINGS
COUNTY OF KING)

Peter C. Cummings, of lawful age being first duly sworn, depose and states:

1. My name is Peter C. Cummings. I am Director – Finance of Qwest Corporation in Seattle, Washington.

2. Attached hereto and made a part hereof for all purposes is my testimony consisting of pages 1 through 39, and my exhibits numbered PCC-1 Through PCC- 12.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Peter C. Cummings

SUBSCRIBED AND SWORN to before me this 11th day of May 2004.

LORI L. WHITE
COMMISSION EXPIRES
NOTARY
PUBLIC
7-10-07
STATE OF WASHINGTON

Lori L. White
Notary Public residing at
Seattle Washington.

My Commission Expires: 7/10/07

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman

WILLIAM A. MUNDELL
Commissioner

JEFF HATCH-MILLER
Commissioner

MIKE GLEASON
Commissioner

KRISTIN K. MAYES
Commissioner

IN THE MATTER OF QWEST CORPORATION'S FILING AMENDED RENEWED PRICE REGULATION PLAN	DOCKET NO. T-01051B-03-0454
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS	DOCKET NO. T-00000D-00-0672

DIRECT TESTIMONY OF

PHILIP E. GRATE

ON BEHALF OF

QWEST CORPORATION

MAY 20, 2004

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SUMMARY OF DIRECT TESTIMONY

In Decision No. 66772, the Commission ordered Qwest to comply with the filing requirements of A.C.C. Rule R14-2-103 (Rule 103) for purposes of evaluating proposed modifications to Qwest's price regulation plan. My testimony explains the revenue requirement portion of the Rule 103 filing.

Rule 103 requires the presentation of a fully adjusted revenue requirement and a rate design for that revenue requirement. Both are elements of a traditional monopoly utility rate case under cost-of-service regulation. However, Qwest's Rule 103 filing is not intended to initiate a rate case. Instead, it is intended to allow Qwest's price regulation plan to be amended and renewed.

Schedule A-1 of Qwest's Rule 103 filing computes Qwest's Arizona revenue requirement. Without pro forma adjustments, it is $415 million based on an 11.18% overall cost of capital and a rate base calculated using the original cost less depreciation (OCLD) method. When pro forma adjustments are included, Qwest's revenue requirement is $322 million on Qwest's OCLD rate base. The fully adjusted revenue requirement on a fair value rate base is $442 million.

Qwest's regulated results of operations have been deteriorating. In the Company's last Arizona rate case, Docket No. T-1051B-00-105, the final test year was 1999. The Company calculated a $201 million positive revenue requirement of which $34 million as attributable to unadjusted financial results

and $167 million was for proposed adjustments. In Qwest's 2003 test year Qwest's proposed adjustments reduce revenue requirement $93 million. Deterioration in the underlying unadjusted results of operations between 1999 and 2003 has caused a $381 million increase in Qwest's revenue requirement.

The general theory of rate-making in Arizona presupposes the existence of a utility with a monopoly over the services it provides. Consequently, it presupposes that the rates the Commission establishes to meet the overall operating costs of the utility and produce a reasonable rate of return will be recoverable from the customers of those monopoly services.

As the Testimony of David L. Teitzel explains, the Arizona market for Qwest's services is subject to robust competition. Qwest's revenues are declining largely due to a significant decline in Qwest's retail customer base. During the 38 month period ending April, 2004, Qwest's Arizona retail line count fell approximately 688,000 access lines, a loss of 23.2% of the Company's total retail access lines in Arizona.

In the face of the competition Qwest now faces in Arizona, Qwest management does not believe the revenue requirement computed in the schedules of its Rule 103 filing is fully recoverable from its customers in Arizona. Consequently, Qwest is not proposing rates to recover its entire revenue requirement. Instead,

Qwest is proposing modifications to its price regulation plan that will allow the Company to compete on a more equal footing with its competition in Arizona.

IDENTIFICATION OF WITNESS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Philip E. Grate. My business address is Qwest Corporation, 1600 7th Avenue, Seattle, Washington.

Q. WHAT IS YOUR POSITION WITH QWEST AND WHAT ARE YOUR RESPONSIBILITIES?

A. As a State Finance Director for Qwest Corporation (Qwest or Company), I serve as a witness for Qwest concerning regulatory finance and accounting matters.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE?

A. My education and work experience, including the jurisdictions in which I have testified and the subjects upon which I have given testimony are set forth in Exhibit PEG-D1.

Q. HAVE YOU PREVIOUSLY APPEARED BEFORE THIS COMMISSION AS A WITNESS IN REGULATORY PROCEEDINGS?

A. Yes. I testified before the Arizona Corporation Commission (Commission) in Docket No. T-01051B-99-0105 (a Rate Case), Docket No. T-01051B-99-0497 (the Qwest Merger) and Docket No. T-10151B-02-0666 (the sale of Qwest Dex, Inc).

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. I have not filed testimony in this docket. However, my sworn affidavits were filed January 27, 2004 and March 5, 2004 in this docket.

PURPOSE AND SUMMARY OF TESTIMONY

Q. WHY ARE YOU FILING TESTIMONY IN THIS DOCKET?

A. On February 10, 2004, the Commission issued Decision No. 66772 in Qwest's Price Caps Plan Docket. In Decision No. 66772, the Commission ordered Qwest to comply with the filing requirements of A.C.C. Rule R14-2-103 (Rule 103) for purposes of evaluating proposed modifications to Qwest's price regulation plan. I am filing testimony to explain the contents of the Rule 103 filing the Commission has ordered Qwest to make.

Q. WHAT SCHEDULES ARE INCLUDED IN QWEST'S RULE 103 FILING?

A. Rule103 paragraph B. 1. requires the filing of summary information schedules as follows:

> A-1. A summary of the increase in revenue requirements and the spread of the revenue increase by customer classification.
>
> A-2. A summary of the results of operations for the test year and for the 2 fiscal years ended prior to the end of the test year, compared with the projected year.
>
> A-3. A summary of the capital structure for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

A-4. Construction expenditures and gross utility plant in service for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

A-5. A summary of changes in financial position for the test year and the 2 fiscal years ended prior to the end of the test year, compared with the projected year.

Paragraph B. 1. calls for several other schedules in support of these five schedules although it allows the specific formats of those supporting schedules to vary from those suggested in the Appendix to Rule 103. The supporting schedules Qwest is filing include:

B. Rate Base Information:

B-1. A schedule showing the elements of original cost and RCND rate bases.

B-2. A schedule listing pro forma adjustments to gross plant in service and accumulated depreciation for the original cost rate base.

B-3. A schedule showing pro forma adjustments to gross plant in service and accumulated depreciation for the RCND rate base.

B-4. A schedule demonstrating the determination of reproduction cost new less depreciation at the end of the test period.

B-5. A schedule showing the computation of working capital allowance.

C. Test Year Income Statements:

C-1. A test year income statement, with pro forma adjustments.

C-2. A schedule showing the detail of all pro forma adjustments.

C-3. A schedule showing the incremental taxes and other expenses on gross revenues and the computation of an incremental gross revenue conversion factor.

D. Cost of Capital Information:

D-1. A schedule summarizing the elements in the capital structure at the end of the test year and the projected year, their related costs and the computation of the total cost of capital.

D-2. A schedule showing the detail of long-term and short-term debt at the end of the test year and the projected year and their total cost.

D-3. A schedule showing the detail of preferred stock at the end of the test year and the projected year, and their total cost.

D-4. A schedule summarizing conclusions of the required return on the common equity as of the end of the test year and the projected year.

E. Financial Statements and Statistical Data:

E-1. Comparative balance sheets for the end of the test year and the 2 fiscal years ended prior to the end of the test year.

E-2. Comparative income statements for the test year and the 2 fiscal years ended prior to the end of the test year.

E-3. Comparative statements of changes in financial position for the test year and the 2 fiscal years ended prior to the end of the test year.

E-4. Statements of changes in stockholder's equity for the test year and the 2 fiscal years ended prior to the end of the test year.

E-5. A comparative schedule showing by detail account number, utility plant balances at the end of the test year and the end of the prior fiscal year.

E-6. Comparative departmental statements of operating income for the test year and the 2 fiscal years ended prior to the end of the test year.

E-7. Comparative operating statistics on customers, consumption, revenues, and expenses for the test year and the 2 fiscal years ended prior to the end of the test year.

E-8. A comparative schedule of all significant taxes charged to operations for the test year and the 2 fiscal years ended prior to the end of the test year.

E-9. Audited financial statements, if available, for the test year and the 2 fiscal years ended prior to the end of the test year.

F. Projections and Forecasts:

F-1. A projected income statement for the projected year compared with actual test year results, at present rates and proposed rates.

F-2. Projected changes in financial position for the projected year compared with the test year, at present rates and proposed rates.

F-3. Projected annual construction requirements, by property classification, for 3 years subsequent to the test year, compared with the test year.

F-4. Important assumptions used in preparing forecasts and projections.

G. Cost of Service Information:

G-1. Cost of Service Summary-Present. This schedule summarizes Qwest's cost of service and rates of return under present rates, as summarized by product category by the Company's cost accounting system, for the 2003 data year. Schedule G-1 also provides the information required of Schedules G-3 to G-6.

G-2. Cost of Service Summary - Proposed. This schedule identifies the approximate effect of Qwest's proposed rate changes on the cost of service and rate of return for the product categories set forth in Schedule G-1.

G-7. Development of Allocations Factors. This schedule sets forth Qwest's Cost Accounting Segregation Manual documentation that describes the processes and procedures employed in assigning/allocating revenues, expenses and investments to the product cost categories maintained by Qwest in its cost accounting system.

H. Effect of Proposed Rate Schedules:

H-1. A comparison of revenues by customer classification or other classification of revenues for the test year, at present and proposed rates.

H-2. A comparison of revenues by class of service and by rate schedule for the test year, at present and proposed rates.

H-3. A comparison of present and proposed rate schedules.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to explain the results of operations shown in Schedule A-2 and the development of Qwest's revenue requirement computation shown in schedule A-1. I also discuss several schedules that support these two schedules. The testimony of Peter C. Cummings explains the contents of Schedule A-3. The testimony of Nancy Heller Hughes explains the portions of rate base schedules B-1 through B-5 related to replacement cost new depreciated rate base. The testimony of K. Dennis Wu explains Qwest's proposed update of depreciation rates.

RATEMAKING IN ARIZONA

PURPOSE OF RATEMAKING

Q. WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF RATEMAKING IN ARIZONA?

A. In Arizona, the overarching requirement of ratemaking is that, "All charges made for service rendered, or to be rendered, by public service corporations within this state shall be just and reasonable..."[1] Therefore, the purpose of ratemaking in Arizona is to establish rates that are just and reasonable.

[1] Arizona Constitution Article 15, Section 12.

JUST AND REASONABLE RATES

Q. WHAT CONSTITUTES JUST AND REASONABLE RATES?

A. The term "just and reasonable" raises issues of law and issues of fact. In the United States, state regulatory commissions, legislatures and courts have wrestled with these issues for more than a century. The litigation of countless rate cases before commissions and courts has spawned a body of economic, accounting and legal principles[2] that helps guide regulators in their quest for just and reasonable rates. These principles have been set forth in scholarly texts and case law. For instance, in Arizona, the Arizona Supreme Court explained just and reasonable rates this way:

> It is elementary that a public utility subject to regulation and fixing of rates is entitled to a fair and reasonable profit from its operations in the service of the public. * * * In the early case of *Smith v. Ames, 1898, 169 U.S. 466, 18 S.Ct. 418, 434, 42 L.Ed. 819*, the Supreme Court of the United States, in testing a legislative act fixing railroad rates ruled in effect that a rate-making body could not, without violating the due process and equal protection clauses of the Fourteenth Amendment to the United States constitution, require the company to commit its property to public service without allowing a fair and reasonable reward and the compensation to be allowed the company should likewise be reasonable from the standpoint of the public interest.[3]

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[2] In Decision No. 53761 (1983), at page 9, line 26, the A.C.C. describes proposed adjustments as being in accordance with "widely accepted ratemaking principles."

[3] *Simms v. Round Valley Light and Power Company*, 80 Ariz. 145; 294 P.2d 378; 1956 Ariz. LEXIS 191 (1956)

GENERAL THEORY OF RATEMAKING

Q. IN ARIZONA, WHAT IS THE GENERAL THEORY OF RATE-MAKING FOR PRODUCING JUST AND REASONABLE RATES?

A. According to the Arizona Court of Appeals,

> In Arizona, the Corporation Commission is the body charged with the responsibility for establishing utility rates which are "just and reasonable." Ariz. Const. art. 15, § 3; A.R.S. § 40—250. The general theory of utility regulation is that the total revenue, including income from rates and charges, should be sufficient to meet a utility's operating costs and to give the utility and its stockholders a reasonable rate of return on the utility's investment. *See Simms v. Round Valley Light & Power Co.*, 80 Ariz. 145, 153, 294 P.2d 378, 383 (1956); *see generally Phillips*, The Economics of Regulation 178—302 (Rev. ed. 1969).
>
> * * *
>
> [T]he rates established by the Commission should meet the overall operating costs of the utility and produce a reasonable rate of return. It is equally clear that the rates cannot be considered just and reasonable if they fail to produce a reasonable rate of return or if they produce revenue which exceeds a reasonable rate of return.[4]

It follows that the general theory of utility regulation in Arizona is that the total revenue from rates and charges should be sufficient to meet the overall operating costs of the utility and provide a reasonable rate of return on the utility's rate base.

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[4] *Scates v. Arizona Corp. Comm'n*, 118 Ariz. 531 at 533-34, 578 P.2d 612 (App. 1978).

Q. WHAT CONDITIONS DOES THE GENERAL THEORY OF RATE-MAKING IN ARIZONA PRESUPPOSE?

A. The general theory of rate-making in Arizona presupposes the existence of a utility with a monopoly over the services it provides. Consequently, it presupposes that the rates the Commission establishes to meet the overall operating costs of the utility and produce a reasonable rate of return will be recoverable from the customers of those monopoly services.

Q. IS QWEST ASKING FOR RATES TO RECOVER ALL OF THE REVENUE RQUIREMENT COMPUTED IN ITS RULE 103 FILING?

A. No. As the Testimony of David L. Teitzel explains, the Arizona market for Qwest's services is subject to robust competition. The erosion of Qwest's revenues described later in this testimony is largely due to the loss of a significant portion of Qwest's retail customer base. During the 38 month period ending April, 2004, Qwest experienced a net loss of approximately 471,500 total (wholesale and retail) Arizona access lines. This loss constituted 15.5% of the Company's February, 2001, total Arizona access line count. During that same 38 month period, Qwest's retail Arizona access line count fell 688,100 or 23.2% of the total as of February, 2001.

In the past twelve months, the rate of Qwest's retail access line loss in Arizona accelerated. The following schedule sets forth the annual change in Qwest's retail access line count over the most recent 72 months:

Twelve Months Ended	Arizona Retail Access Line Net Gain (Loss)
April, 1999	136,599
April, 2000	104,736
April, 2001	36,897
April, 2002	(184,996)
April, 2003	(163,084)
April, 2004	(323,868)

As this schedule shows, retail access line loss in the past twelve months was almost double the loss of the preceding twelve months.

Schedule A-1 of Qwest's Rule 103 filing computes Qwest's Arizona revenue requirement. Given the intensity of competition Qwest now faces in Arizona and the pace of Qwest's Arizona access line loss, Qwest does not believe the revenue requirement computed in the schedules of its Rule 103 filing is fully recoverable from its Arizona customers. Therefore, Qwest is not proposing rates to fully recover its revenue requirement. Instead, Qwest is proposing modifications to its price regulation plan that will allow the Company to compete on a more equal footing with its competition in Arizona.

REVENUE REQUIREMENT

THE REVENUE REQUIREMENT STANDARD

Q. WHAT IS THE REVENUE REQUIREMENT STANDARD?

A. The revenue requirement standard is a standard of rate regulation used to determine what revenues from rates and charges are sufficient to meet the overall operating costs of the utility and provide a reasonable rate of return on the utility's rate base. According to Professor Phillips[5]:

> The basic standard of rate regulation is the revenue-requirement standard, often referred to as the rate base-rate of return standard. Simply stated, a regulated firm must be permitted to set rates which will (*a*) cover operating costs and (*b*) provide an opportunity to earn a reasonable rate of return on the property devoted to the business.[6]

Q. HOW ARE RATES ESTABLISHED UNDER THE REVENUE REQUIREMENT STANDARD?

A. Establishing rates under the revenue requirement standard is a two-step process. First, the overall revenue level the utility requires (the revenue requirement) must be established. Second, the rate structure or design that will allow the company the opportunity to charge and collect revenue that satisfies the revenue requirement must be determined. Professor Phillips explains:

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[5] Professor Phillips appears to be well regarded in Arizona. His earlier work, The Economics of Regulation (Rev. ed. 1969) is cited as authority in *Scates v. Arizona Corp. Comm'n.* 118 Ariz. 531 at 533-34 (1978). In the preface to the 1988 edition of Principles of Public Utility Regulation, Danielsen and Kamerschen write, "The most comprehensive utilities textbook surviving the test of time in various editions is Philips..."

[6] Phillips, *The Regulation of Public Utilities* (Rev. Ed. 1988) p. 168.

There are two aspects of rate regulation: the rate level or determination of a utility's general level of rates and the rate structure or determination of specific rates and the relationships between rates. In the words of the Supreme Court:

> The establishment of a rate for a regulated industry often involves two steps of different character, one of which may appropriately precede the other. The first is the adjustment of a general revenue level to the demands of a fair return. The second is the adjustment of a rate schedule conforming to that level, so as to eliminate discriminations and unfairness from its details. [fn 15: *Federal Power Commission v. Natural Gas Pipeline Co., 315 U.S. 575, 584(1942)*][7]

My testimony pertains only to the first step of this two step process. The direct testimony of David L. Teitzel and Scott A. McIntyre addresses the second step of the process.

REVENUE REQUIREMENT FORMULA

Q. HOW IS REVENUE REQUIREMENT DETERMINED?

A. The determination of a utility's total revenue requirement can be expressed as a formula:

$$R = O + (V - D)r$$

Where R is the total revenue required,
O is the operating costs,
V is the gross value of the tangible and intangible property
D is the accrued depreciation of tangible and reproducible property, and
r is the allowed rate of return.[8]

[7] *Id.* pp. 168-169.
[8] *Id.* p. 167.

My testimony pertains to the "O," "V" and "D" variables. Nancy Heller Hughes' testimony pertains to the "V" and "D" variables. Peter C. Cummings' testimony pertains to the "r" variable.

RATE BASE

Q. WHAT IS "RATE BASE?"

A. Rate base ("V - D" in the revenue requirement formula) is the net (or depreciated) value of property used and useful in the provision of intrastate telecommunications services that the Commission regulates. In the most general terms, the four elements of rate base are 1) tangible property; 2) other elements of value such as working capital, property held for future use and intangibles; 3) deductions from rate base for non-investor supplied capital such as customer contributions and tax deferrals and 4) construction work in progress.[9]

VALUATION

Q. WHAT IS "VALUATION?"

A. "Valuation" is the process of determining the value of the rate base. It can be accomplished using different methods. Rule 103 calls for utilities to file evidence in support of two methods—the original cost less depreciation (OCLD) method and the reconstructed or reproduction (both words are used

[9] See *Id.* p. 302.

in Rule 103) cost new less depreciation (RCND) method. In this docket, my testimony provides OCLD evidence and Nancy Heller Hughes' testimony provides RCND evidence.

ORIGINAL COST RATE BASE

Q. WHAT IS INCLUDED IN RATE BASE UNDER THE OCLD METHOD?

A. The Commission's rules provide that original cost rate base is:

> An amount consisting of the depreciated original cost, prudently invested, of the property (exclusive of contributions and/or advances in aid of construction) at the end of the test year, used or useful, plus a proper allowance for working capital and including all applicable pro forma adjustments.

Q. WHAT PRINCIPLE GUIDES THE DETERMINATION OF RATE BASE UNDER THE OCLD METHOD?

A. The guiding principle under the OCLD method of rate base valuation is that investors are entitled to a reasonable return on their "prudent investment."

> The thing devoted by the investor to the public use is not the specific property, tangible and intangible, but capital embarked in the enterprise. Upon the capital so invested the Federal Constitution guarantees to the utility the opportunity to earn a fair return. Thus, it sets the limit to the power of the state to regulate rates.....[10]

Q. WHAT DOES "PRUDENTLY INVESTED" MEAN?

A. The Commission's rules provide that "prudently invested" means:

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[10] Dissenting opinion by Justice Brandeis (supported by Justice Holmes) in *Missouri ex. Rel. Southwestern Bell Teleph. Co. v. Missouri Pub. Service Comm.*, 262 U.S. 276 (1923).

> Investments which under ordinary circumstances would be deemed reasonable and not dishonest or obviously wasteful. All investments shall be presumed to have been prudently made, and such presumption may be set aside only by clear and convincing evidence that such investments were imprudent, when viewed in the light of all relevant conditions known or which in the exercise of reasonable judgment should have been known, at the time such investments were made.[11]

RECONSTRUCTED COST NEW RATE BASE

Q. WHAT IS INCLUDED IN RATE BASE UNDER THE RCND METHOD?

A. The Commission's rules provide that "Reconstructed Cost New (RCND) Rate Base" is:

> An amount consisting of the depreciated reconstruction cost new of the property (exclusive of contributions and/or advances in aid of construction) at the end of the test year, used and useful, plus a proper allowance for working capital and including all applicable pro forma adjustments. Contributions and advances in aid of construction, if recorded in the accounts of the public service corporation shall be increased to a reconstructed new basis.[12]

Q. WHAT PRINCIPLE GUIDES THE DETERMINATION OF RATE BASE UNDER THE RCND METHOD?

A. The guiding principle under the RCND method of rate base valuation is that investors are entitled to a reasonable return on the current (as opposed to original) cost of replacing the regulated entity's property used and useful in the provision of service as it is found in its depreciated state.

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[11] Arizona Administrative Code R14-2-103 A. 3. l.
[12] Arizona Administrative Code R14-2-103 A. 3. n.

1 ***ACCUMULATED DEPRECIATION***

2 **Q. WHAT IS DEPRECIATION ACCOUNTING?**

3 A. Depreciation accounting is a system of accounting which aims to distribute
4 cost or other basic value of tangible capital assets, less salvage (if any), over
5 the estimated useful life of the unit (which may be a group of assets) in a
6 systematic and rational manner. It is a process of allocation, not valuation.[13]

7 **Q. WHAT IS "ACCUMULATED DEPRECIATION?"**

8 A. Accumulated depreciation is an amount on a company's balance sheet that
9 arises from prior recognition of costs. It is an amount representing past
10 consumption of the gross value of tangible property. The Interstate
11 Commerce Commission explained the need for accumulated depreciation this
12 way:

13 An article when new contains a certain number of units of service and as
14 those units are exhausted the article depreciates. In order to make any
15 figure, whether original cost or cost of reproduction, representative of the
16 condition of the property at the time of the inquiry it would seem on
17 principle to be necessary to make due allowance for the expired units of
18 service life.[14]

19 Under the OCLD method of determining rate base, accumulated depreciation
20 is equal to the accumulated balance of depreciation expense shown on the
21 Company's books on the valuation date of the rate base. Under the RCND

[13] American Institute of Certified Public Accountants, as quoted in Robert L. Hahne and Gregory E. Aliff, *Accounting for Public Utilities* (New York: Matthew Bender & Co., Inc.), 1983: 1987 Revision.
[14] Phillips, p. 329 citing *Excess Income of Richmond, Fredericksburg & Potomac R.R. Co.*, 170 ICC 451, 568 (1931).

method of determining rate base, accumulated depreciation is determined by applying a factor known as the "condition percent" that is explained in the testimony of Nancy Heller Hughes.

OPERATING COSTS

Q. WHAT ARE "OPERATING COSTS?"

A. Operating costs (the "O" variable in the revenue requirement formula) are the expenses of operating a business that provides regulated service during the test period. These costs include expenditures for operations, maintenance, and repair; sales, marketing, and administrative functions; depreciation of capital investment; and federal, state and local taxes. Professor Phillips explains:

> Many of these costs are determined by normal competitive factors (wages, salaries, fuel, and maintenance) or by various levels of government (taxes). Others are determined by the individual firms (expenditures on advertising, research and development, and charitable contributions; purchases from affiliated subsidiaries) or by regulatory commissions (annual depreciation rates).[15]

Q. WHAT REGULATORY PRINCIPLE GUIDES THE DETERMINATION OF OPERATING COSTS?

A. Operating costs are a fundamental question of fact to be ascertained. The Court of Appeals for the District of Columbia Circuit observed:

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[15] *Id.* p. 169.

> Expenses (using that term in its broad sense to include not only operating expenses but depreciation and taxes) are facts. They are to be ascertained, not created by regulatory authorities. If properly incurred, they must be allowed as part of the composition of rates. Otherwise, the so-called allowance of a return upon the investment, being an amount over and above expenses, would be a farce.[16]

OPERATING COSTS DISALLOWANCES

Q. IF EXPENSES ARE TO BE ASCERTAINED, MUST ALL OPERATING COSTS OF A UTILITY BE INCLUDED IN THE CALCULATION OF ITS REVENUE REQUIREMENT?

A. Not necessarily. As Professor Phillips explains:

> A public utility legally may spend any amount it chooses for such purposes, but a commission may not allow all expenditures made for ratemaking purposes. When an expenditure is disallowed it, in effect, is charged to a utility's stockholders rather than to its customers.[17]

Q. WHAT PRINCIPLES GUIDE THE DISALLOWANCE OF OPERATING COSTS?

A. Regarding disallowance, the principles that have been widely accepted may be summarized as follows:

1. A regulatory agency is not the owner of the utility and therefore is not its financial manager. A commission is not empowered to substitute its judgment for that of the owners, who are responsible for the rendition of service, unless the owners have abused their discretion.

2. Good faith is presumed on the part of management.

3. In the absence of a showing of inefficiency, improvidence, waste or bad faith on the part of management, a commission cannot legally ignore the

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[16] *Mississippi River Fuel Corp. v. FPC*, 163 F.2d 433, 437 (D.C. Cir. 1947).
[17] *Phillips*, The Regulation of Public Utilities (Rev. Ed. 1988) p. 169.

necessary fair and reasonable expenses of operations incurred in the rendition of service by the utility but must give heed to, consider and allow all such expenses constituting charges upon income during the term of the regulation.

4. Only where affirmative evidence is offered challenging the reasonableness of the operating expenses incurred, on the ground that they are exorbitant, unnecessary, wasteful, extravagant, or incurred in the abuse of discretion or in bad faith, or are of a nonrecurring character not likely to recur in the future, does a commission have reasonable discretion to disallow any part of the expenses actually incurred.[18]

Q. ARE THERE SPECIFIC PRINCIPLES IN ARIZONA THAT GUIDE THE DISALLOWANCE OF OPERATING COSTS?

A. Yes. The Commission's rules set forth the principle for disallowance in Arizona and the applicable burden of proof. Specifically, the Commission's rules provide that all investments shall be presumed to have been prudently made, and such presumption may be set aside only by clear and convincing evidence that such investments were imprudent, when viewed in the light of all relevant conditions known or which in the exercise of reasonable judgment should have been known, at the time such investments were made.[19] This rule also states that "prudently invested" means investments which under ordinary circumstances would be deemed reasonable and not dishonest or obviously wasteful.

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[18] *Alabama Public Serv. Comm'n v. Southern Bell Tel. & Tel. Co.*, 253 Ala. 1, 42 So.2d 655, 84 P.U.R. (n.s.) 221, (1949). Cited in Priest, *Principles of Public Utility Regulation* (1969) p. 50.
[19] Arizona Administrative Code R14-2-103 A. 3. I.

1 Under the principle articulated in the Commission's rule, a cost incurred by a
2 regulated utility is presumed "reasonable and not dishonest or obviously
3 wasteful." The burden of proof lies with those who would propose a
4 disallowance to provide clear and convincing evidence to overcome that
5 presumption. The regulated entity does not bear the burden of proving that
6 its costs are reasonable.

7 **Q. HAS THE COMMISSION SPECIFICALLY ADDRESSED THE**
8 **PRESUMPTION OF REASONABLNESS AND THE BURDEN OF PROOF**
9 **APPLICABLE TO EXPENDITURES?**

10 A. Yes. In 1986 the Commission issued a decision saying, "Expenditures of a
11 public utility made in the ordinary course of its business have a presumption
12 of legitimacy."[20] With regard to the burden of proof the Commission said,
13 "The unsupported assertion that Mountain States had not met a witness' own
14 subjective 'burden of proof' can not substitute for the type of meticulous
15 review undertaken by Staff and Intervenor Phoenix."[21] The Commission must
16 be vigilant against parties who would contrive an incorrect burden of proof to
17 support a disallowance that could not be achieved under the correct burden of
18 proof. As my testimony regarding certain pro forma adjustments explains, the
19 question of contrived burdens of proof is important to this case.

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[20] A.C.C. Docket No. E-1051-84-100, et. al., Decision No. 54843 (January 10, 1986) p. 19 referencing *West Ohio Gas Co. v. Pub. Util. Comm. of Ohio*, 294 U.S. 63 (1935)
[21] *Id.*

1 **Q. IT HAS BEEN ARGUED IN ARIZONA THAT REGULATORS NEED NOT**
2 **ALLOW "ABOVE-THE-LINE" ACCOUNTING FOR DISCRETIONARY**
3 **COSTS INCURRED BY MANAGEMENT ABSENT A SHOWING BY THE**
4 **REGULATED ENTITY THAT SUCH COSTS PROVIDE "DIRECT,**
5 **TANGIBLE BENEFITS TO RATEPAYERS." DO YOU AGREE?**
6 A. No. I disagree with this viewpoint for several interrelated reasons. First, it
7 must be remembered that, with the possible exception of obligations to
8 government, such as taxes and fees, virtually all costs are incurred at the
9 discretion of management. For example, management exercises its
10 discretion to decide how many people to put on the payroll, what salaries and
11 benefits to offer non-bargained-for employees, what union contracts to sign
12 for the compensation of bargained-for employees, what services to purchase,
13 what leases to sign, what real property to buy and sell and what capital assets
14 to acquire and depreciate. Hence, the tests for disallowance of a particular
15 cost necessarily presume that costs are discretionary. It follows that under
16 widely accepted ratemaking principles, the inquiry for disallowance presumes
17 management discretion and, therefore, the inquiry is directed at whether
18 incurring the cost was an abuse of that discretion.

19 Second, I am advised by counsel that there is no administrative rule of this
20 Commission and no published judicial opinion in Arizona that imposes a
21 presumption that discretionary costs are to be disallowed unless a utility

1 overcomes a burden of proof to show why they should not be. Instead, the
2 Commission's rules articulate a ratemaking principle that presumes costs are
3 reasonable and not dishonest or obviously wasteful. Except in very limited
4 circumstances—such as fines and penalties—the burden must fall to those
5 who would disallow a cost to provide clear and convincing evidence in
6 support of the disallowance.

7 Third, I am advised by counsel there is no administrative rule or judicial
8 opinion in Arizona holding that discretionary costs are to be disallowed unless
9 they provide direct, tangible benefits to ratepayers.

10 Fourth, a "direct tangible benefits" standard cannot be reconciled with a
11 regulated entity's right under Arizona law to charge regulated rates that
12 provide a reasonable opportunity to recover its costs and a fair rate of return
13 on its rate base. A wide and abundant variety of prudent, reasonable and
14 necessary costs incurred at the discretion of management in the operation of
15 a regulated entity provide no direct, tangible benefit to ratepayers. Some
16 examples include employees' paid vacations and sick leave, employees'
17 healthcare benefits and retirement savings plan benefits, employees' post
18 employment benefits, and employee training expenses. Other expenses that
19 provide no direct tangible ratepayer benefit include the cost of compliance
20 with immigration laws, environmental laws, safety laws, and workers'

compensation laws and the costs of operating the Company's accounts receivable department, accounts payable department, customer billing department, customer credit department, legal department, tax department, human resources department, and real estate department. Application of the tangible benefits standard could render all these costs unrecoverable even absent clear and convincing evidence that overcomes the presumption that costs are reasonable.

Q. WHY, IN YOUR OPINION, WOULD A REVENUE REQUIREMENT WITNESS INVOKE THE DIRECT TANGIBLE BENEFITS STANDARD?

A. The allure of the direct tangible benefits standard is the very ease with which it can be used to support a proposed cost disallowance. A witness who could not justify disallowance of a particular cost under proper standards of disallowance may find refuge in the "direct tangible benefit" standard. But selective application of the standard to a limited number of discretionary costs (such as, for example, incentive compensation, community relations, economic development and brand advertising expenses) serves to mask its defectiveness as a cost disallowance standard. If the standard is inappropriate when applied to all discretionary costs, it is no less inappropriate when applied to a limited number of discretionary costs.

Q. WHAT IS THE RATIONALE FOR THE TANGIBLE BENEFITS STANDARD?

A. The erroneous rationale for the tangible benefits test is that ratepayers would be exploited by paying rates that include discretionary costs that provide them no direct, tangible benefits. This rationale is erroneous because it misconstrues exploitation as well as the purpose of regulation.

For a company with operations subject to regulation, the actions of regulatory authorities responsible for setting prices to be charged for services provided by the company are intended to substitute for the actions and effects of a fully competitive market. Alfred E. Kahn explains:

> The essence of regulation is the explicit replacement of competition with governmental orders as the principal institutional device for assuring good performance.[22]

The underlying presumption is that competitive markets are preferable to monopolies and that consumers would prefer to buy products in a competitive market, since competition is presumed to make products both cheaper and better than a monopoly. Exploitation occurs where customers of regulated businesses are compelled through the monopoly power of the regulated entity to pay rates that are higher than the rates they would pay—for the same level of service— to an unregulated business operating in a competitive market. Consequently, customers of regulated businesses cannot claim to be

[22] Alfred E. Kahn, *The Economics of Regulation*, (1988) Massachusetts Institute of Technology, p. 20 / I

1 exploited by paying rates designed to recover costs that are essentially the
2 same costs competitive businesses incur and recover by including them in the
3 prices they charge their customers.

4 As Peter C. Cummings' testimony explains, investors provide capital with the
5 expectation of receiving a return on their investment, commensurate with the
6 risks involved. Investors make and continue holding only those investments
7 they expect to provide returns that meet or exceed their required returns. In
8 order to attract capital, companies must provide investors with returns equal
9 to or exceeding their required return. Hence, the return that must be provided
10 to investors supplying capital is an important cost of doing business.

11 The required return of regulated companies is determined in capital markets
12 such as the New York Stock Exchange and NASDAQ. The required return
13 depends upon the return offered by alternative investments of equivalent risk.
14 There is nothing to suggest that the return offered by alternative investments
15 in businesses of equivalent risk is computed by excluding discretionary costs
16 that provide no direct tangible benefits to the customers of those businesses.
17 Nothing suggests or indicates that companies that are alternative investments

of equivalent risk are economically or competitively compelled to leave such costs "on the table" and in effect, charge them to stockholders.[23]

Q. WHAT DO YOU CONCLUDE ABOUT THE "DIRECT TANGIBLE BENEFITS" TEST?

A. The expectation that every activity of a prudently operated business and every cost it incurs will provide its customers a direct, tangible benefit is incorrect and unreasonable. The reasonable expectation is that many necessary and reasonable costs of prudently managed businesses will not provide direct tangible benefits to a business' customers. It follows that use of the direct tangible benefits standard fails to yield just and reasonable rates because it establishes a barrier to cost recovery not faced by companies representing alternative investments of equivalent risk.

Q. HOW CAN A PARTY CORRECTLY SHOW WHETHER A COST IS UNREASONABLE OR DISHONEST OR OBVIOUSLY WASTEFUL?

A. Whether a cost is unreasonable or dishonest or obviously wasteful can be shown in several ways. First, a party can gage the type and amount of the cost against the type and amount of that cost incurred by other, prudently managed companies. If clear and convincing evidence is presented that

[23] The financial statements of unregulated entities do not exclude discretionary costs that provide no direct tangible customer benefit from the computation of net income or returns on equity. It follows that the rates of return on investment that these businesses achieve are not adjusted to exclude such costs.

prudently operated businesses comparable to the regulated entity do not incur the kind of cost in question, that evidence could be used to justify a disallowance of a cost as unreasonable or dishonest.

Second, the obvious wastefulness of a cost can be shown by clear and convincing evidence that it is exorbitant or extravagant when compared with the amount of that cost incurred by prudently managed companies.

Third, clear and convincing evidence can be offered that shows that management acted imprudently when it decided to incur a cost. Here the test is whether, given the facts available at the time the regulated entity's management decided to incur the cost, a prudent management should have realized that incurring the cost would damage the business' long term return on rate base (ROR). The question of prudence is not whether the expenditure provides direct tangible benefits to ratepayers. It is instead whether management should have realized at the time it made its decision that the expenditure was likely to damage the business' ROR over the long term.

Q. WHY WOULD RATEPAYERS HAVE AN INTEREST IN THE BUSINESS' RETURN ON RATE BASE (ROR)?

A. It is axiomatic that ratepayers' interests lie in optimizing the value received for money spent on regulated services. Value received is measured in terms of

both quality and quantity of service received and price paid. To the extent that price is determined by cost-of-service regulation, ratepayers have a direct interest in a utility achieving the lowest possible long term revenue requirement consistent with the level of service for which they are willing to pay.

The relationship between a utility's revenue requirement and its ROR is inverse. All else being equal, when ROR increases, revenue requirement decreases; when ROR decreases, revenue requirement increases.

It follows that ratepayers and shareholders have a common interest in a utility improving its ROR, albeit for different reasons. Shareholders are interested in maximizing the return on their investment. Ratepayers are interested in minimizing revenue requirement, which minimizes the rates they must pay. All else being equal, under cost of service regulation, both interests are served by improving long term ROR.

Consequently, ratepayers and shareholders share a common interest in the utility avoiding costs that damage the long run ROR of a regulated entity. Even though a particular cost may decrease short term ROR or provide no direct tangible benefits to customers, it is imprudent only if it can be shown with clear and convincing evidence that when management was faced with

the decision to incur the cost, a prudent management would have realized the cost would damage long term ROR.

Q. IT SEEMS COUNTERINTUITIVE THAT RATEPAYERS WOULD WANT COST-OF-SERVICE REGULATED ENTITIES TO IMPROVE THEIR RETURN ON RATE BASE. PLEASE COMMENT.

A. In Arizona, revenue requirement under cost-of-service ratemaking must be determined from an historical test year.[24] It follows that to determine revenue requirement in Arizona, a ratemaking analysis of the historical financial performance of the regulated entity during a test year must be conducted to determine whether revenue requirement has increased or decreased and by how much. If the analysis of the test year shows the regulated entity's ROR has been less than its required rate of return, then it will have a positive revenue requirement. If a regulated entity's ROR has been more than its required rate of return, it will have a negative revenue requirement. The higher a utility's achieved ROR is, the more likely it is to exceed its required rate of return. The lower a utility's achieved ROR is, the more likely it is to fall short of its required return.

Because the cost-of-service ratemaking rules in Arizona require an historical test year, a regulated entity must achieve a ROR above its required rate of return <u>before</u> any decrease in rates can be justified. Ratepayers cannot

[24] Arizona Administrative Code R14-2-103 A. 3. p.

1 receive the benefit of a positive spread between achieved ROR and required
2 earnings unless and until shareholders have first received that benefit in a
3 test year.

4 In other words, the spread between achieved ROR and required rate of return
5 first must grow (to the benefit of shareholders) before it can be "harvested" by
6 the ratemaking process and incorporated into rates (to the benefit of
7 ratepayers).

8 It follows that the more effective a regulated entity's efforts to grow its ROR
9 are, the more likely it is that the positive spread between achieved ROR and
10 required rate of return will grow (or the negative spread will shrink) and that
11 ratepayers will benefit.

12 **Q. DOES THIS MEAN THAN ANY GROWTH IN A REGUALTED ENTITY'S**
13 **RETURN ON RATE BASE (ROR) AUTOMATICALLY INURES TO THE**
14 **BENEFIT OF RATEPAYERS?**

15 A. No. Changes in the ROR of a regulated entity do not automatically affect
16 rates. The traditional regulatory scheme that relies on cost-of-service
17 ratemaking does not automatically pass through in rates all changes in ROR.
18 Changes in ROR must be harvested through the ratemaking process.
19 Moreover, the burdens of preparing and processing a Rule 103 filing ensure

that no party to the ratemaking process will initiate a ratemaking action unless the financial consequences are sufficiently large to justify the effort involved.

The heavy demands of the ratemaking process effectively buffer rates from minor changes in revenue requirement. However, when ROR grows sufficiently small or sufficiently large to cause a significantly large positive or negative revenue requirement, the parties to ratemaking process become motivated to initiate a ratemaking proceeding to harvest the change in revenue requirement and incorporate it into rates.

Whether any particular test period warrants a ratemaking proceeding depends on all the facts and circumstances that determine the size of the positive or negative revenue requirement in that test period. But the fact that changes in ROR do not automatically and directly affect rates does not diminish the influence ROR has on rates. All successful efforts to improve ROR contribute to lower revenue requirement and lower rates, even when the results of those efforts are realized in a test period that, when all facts and circumstances are taken into account, does not yield a sufficiently large change in revenue requirement to justify initiating a ratemaking proceeding.

Q. CAN YOU ILLUSTRATE THE APPROPRIATE TEST FOR IMPRUDENCE AND THE APPROPRIATE BURDEN OF PROOF?

A. Yes. The test for imprudence can be illustrated with the example of image advertising expenses. A witness could propose disallowance of image advertising by arguing it provides no direct tangible benefit to ratepayers. But this would be an improper reason for a disallowance. Instead, the proposed disallowance could be justified where the witness could show by clear and convincing evidence that it was imprudent to have incurred the image advertising costs because a prudent management would have realized the overall long term effect[25] of the image advertising expense (including its effect on revenues and other costs) would be to harm damage long term return on rate base.

Q. SHOULD THE PARTY PROPOSING THE DISALLOWANCE BE PERMITTED TO CHANGE THE PRESUMPTION OF MANAGEMENT PRUDENCE TO A PRESUMPTION OF IMPRUDENCE BY SHIFTING THE BURDEN OF PROOF?

A. No. The management of a regulated entity is presumed to have acted in good faith and to have prudently incurred the costs recorded on its books; it does not bear the burden of demonstrating that its expenditure was prudent.

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[25] Obviously, the immediate effect of any cost is to decrease return on rate base. So the question is not what the immediate effect of the cost is but rather what prudent management would expect the overall long term effect of the cost to be.

Instead, it is incumbent upon the party proposing a disallowance to produce credible facts and data constituting clear and convincing evidence to show why the incurred cost was imprudent.

In this regard, the party proposing the disallowance cannot be allowed to shift the burden of proof to the regulated entity by proffering discovery requiring management to defend its decision. Instead, the party proposing the disallowance must produce credible facts and data showing that a prudent management would not have incurred the cost under the circumstances.

Referring back to the image advertising example, the party proposing to disallow image advertising carries the burden of producing clear and convincing evidence that it was dishonest or obviously wasteful for management to incur image advertising costs. To support an argument the cost was unreasonable, the party must bear the burden of providing clear and convincing evidence that 1) the expenditure was likely to damage long term return on rate base because such costs were unlikely to generate enough additional sales revenues to offset the expense of the advertising and 2) a prudent management should have realized this fact. It is not the regulated entity's burden to prove that the image advertising improved long term return on rate base; it is the burden of the party proposing a disallowance of image advertising cost to provide clear and convincing evidence to show prudent

1 management would have concluded the image advertising was unlikely to
2 improve long term return on rate base.

3 Because the party proposing the disallowance bears the burden of proof, it
4 must provide affirmative evidence, not an opinion that the regulated entity
5 failed to satisfactorily defend itself against an allegation of wastefulness or
6 dishonesty or unreasonableness. The party proposing a disallowance could
7 easily demand that a regulated entity provide evidence to justify its
8 expenditure and then conclude the response is inadequate, but a demand for
9 proof from the regulated entity does not satisfy the burden on the proposing
10 party. Although it may be more difficult to provide clear and convincing
11 affirmative evidence showing why the expenditure was imprudent, this is
12 properly the burden to be borne by those who propose to disallow a cost.

13 **Q. WOULD THE OPINIONS OF REVENUE REQUIREMENT WITNESSES**
14 **UNSUPPORTED BY EVIDENCE BE SUFFICIENT TO JUSTIFY A**
15 **DISALLOWANCE?**

16 A. It is possible a disallowance would be justified based solely on the opinion of
17 a witness, provided the witness had the managerial expertise to critique the
18 decisions of professional management. However, it is unlikely that individuals
19 (such as myself) employed principally as revenue requirement witnesses
20 have the necessary qualifications. The training and experience necessary to

1 testify about regulatory accounting and revenue requirement before
2 regulatory commissions is not the training and experience necessary to either
3 manage or expertly evaluate the management decisions of a large, complex,
4 capital intensive, multi-product business whose marketplace is undergoing
5 rapid technological and competitive transformation.

6 As a revenue requirement witness I could, without facts or data to support my
7 position, criticize management's decision to incur a cost and claim it was
8 imprudent or unreasonable. Similarly, if I were a regular spectator of Phoenix
9 Suns basketball games I could, without supporting facts or data, criticize the
10 way the Suns are coached. But in both cases, my criticisms would not be
11 expert opinion because I do not have the necessary qualifications to be an
12 expert on those subjects. No matter how many times I testify in regulatory
13 proceedings or how many Suns games I watch, I will not be an expert on the
14 management of multi-state telephone companies or the coaching of
15 professional basketball teams.

16 Many sports fans hold opinions about the teams they follow. Yet few have
17 the qualifications to offer expert opinions upon which a judicial finder of fact
18 could rely. They lack the training and experience necessary to be experts
19 concerning the conduct of professional sports teams. Similarly, an
20 accountant, economist or lawyer whose principal employment is as a witness

in regulatory proceedings may have observed the conduct of many utilities but is unlikely to have the necessary qualifications to expertly critique the business decisions of the professional management of a multi-state, multi-product retail and wholesale telecommunications company.

Witnesses lacking the qualifications to expertly evaluate management decisions cannot offer expert opinions on the prudence or reasonableness of discretionary costs. These witnesses must avoid injecting their own inexpert opinion and, instead, gather, analyze and present evidence to show that a cost should be fully or partially disallowed because it fails an appropriate test. To do otherwise is to substitute the non-expert opinion of a revenue requirement witness for the expert opinions of the professionals hired to manage the utility.

Admittedly, gathering and analyzing evidence in support of a disallowance requires substantially more effort than writing testimony invoking the direct tangible benefits standard. But because the direct tangible benefits standard fails to protect investors from unreasonable and unjust disallowances, the effort required to develop competent evidence in support of proposed disallowances is necessary.

Q. WITHOUT THE "DIRECT TANGIBLE BENEFIT" TEST CAN RATEPAYERS BE PROTECTED FROM EXPOITATIVE RATES?

A. Yes. Under the cost-of-service ratemaking process in Arizona, rates and charges should be sufficient to meet the overall operating costs of the utility and provide a reasonable rate of return on the utility's rate base. One of the purposes of a properly conducted revenue requirement review is to see that the costs included in the calculation of rates are just and reasonable. Thus, if competent evidence shows that discretionary costs like incentive compensation, community relations, economic development, brand advertising, etc. are dishonest or obviously wasteful or (taking all relevant facts and circumstances into account) were clearly likely to damage long term return on rate base, they can be disallowed. Similarly, if clear and convincing evidence shows the amount of costs in the test year exceeds the amount that will be incurred during the rate effective period or the amount of revenues is less than will be generated during the rate effective period, the test year can be adjusted accordingly. Rates set under these standards serve to protect ratepayers from unreasonably high rates and investors from unreasonably low rates.

TEST YEAR

Q. WHAT IS A "TEST YEAR?"

A. Under the Commission's rules a test year is:

> The 1-year historical period used in determining rate base, operating income and rate of return. The end of the test year shall be the most recent practical date available prior to the filing.[26]

Q. WHAT IS THE PURPOSE OF A TEST YEAR?

A. Professor Phillips explains the purpose of a test year as follows:

> The company, with the concurrence of the commission or its staff, will generally select a "test year," frequently the latest 12-month period for which complete data are available. The purposes of such a test year are as follows. In the first place, the commission's staff must audit the utility's books. For ratemaking purposes, only just and reasonable expenses are allowed: only used and useful property (with certain exceptions) is permitted in the rate base. In the second place, the commission must have a basis for estimating future revenue requirements. This estimate is one of the most difficult problems in a rate case. [27]

Q. WHAT TEST YEAR IS QWEST PROFFERING?

A. Rule 103 provides that the end of the test year shall be the most recent practical date available prior to filing.[28] Accordingly, Qwest's Rule 103 filing proffers a calendar year 2003 test year.

PRO FORMA ADJUSTMENTS

Q. WHAT ARE "PRO FORMA ADJUSTMENTS?"

A. Under the Commission's rules, pro forma adjustments are:

> Adjustments to actual test year results and balances to obtain a normal or more realistic relationship between revenues, expenses and rate base.[29]

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[26] Arizona Administrative Code R14-2-103 A. 3. p.
[27] *Phillips, The* Regulation of Public Utilities (Rev. Ed. 1988) p. 188.
[28] A.A.C. R14-2-103 A. 3. q.

Q. WHAT IS A "POST-TEST-YEAR PRO FORMA ADJUSTMENT?"

A. A post-test-year pro forma adjustment is a pro forma adjustment for a financially significant event that occurs after the test year.

Q. ARE POST-TEST-YEAR PRO FORMA ADJUSTMENTS CONSISTENT WITH THE GENERAL THEORY OF UTILITY REGULATION IN ARIZONA?

A. The general theory of utility regulation in Arizona is that the total revenue from rates and charges should be sufficient to meet the overall operating costs of the utility and provide a reasonable rate of return on the utility's rate base. The test year is a device for forecasting future levels of operating costs and required returns. Proper adjustment, including judicious use of post-test year pro forma adjustments, can improve the test year's predictive value. Professor Phillips explains:

> A commission is setting rates for the future, but it has only past experience (expenses, revenues, demand conditions) to use as a guide. *"Philosophically, the strict test year assumes the past relationship among revenues, costs, and net investment during the test year will continue into the future."*[fn 84: Pierce, Allison and Martin, *Economic Regulation: Energy, Transportation and Utilities* (Indianapolis: The Bobb-Merrill Co., Inc. 1980), p. 238] To the extent that these relationships are not constant, the actual rate of return earned by a utility may be quite different from the rate allowed by the commission. [fn 85: "To the extent that expenses and the rate base increase faster (slower) than revenues, the realized rate of return will fall short of (exceed) the fair rate of return." *Ibid.*] For many years, commissions have adjusted test-year data for "known changes"; *i.e.*, a change that actually took place during or after the test period (such as a new wage agreement that occurred toward the end of the year).[30]

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[29] A.A.C. R14-2-103 A. 3. i.
[30] *Phillips,* The Regulation of Public Utilities (Rev. Ed. 1988) p. 188.

In my opinion, great care should be exercised in the adjustment of a test year for post-test-year events. No adjustments for post-test-year events should be made except for those that are known and measurable. Further, no adjustment should be made for an event unless it has already occurred or is virtually certain to occur.

The inadvisability of departing from this standard can be illustrated by the results of Qwest's last Arizona rate case, Docket No. T-1051B-00-105, in which Qwest and other parties proposed post-test-year pro forma adjustments for changes that were anticipated to occur but had not actually occurred. One was the sale of several exchanges to Citizens Utilities and the other was the transfer of cable services assets to Broadband Services, Inc (BSI). Although Qwest and Citizens Utilities had signed a contract for the sale of the exchanges and a docket was opened for the transfer of assets to BSI, neither of these events ever occurred. Rather than make Qwest's 1999 test year more normal or a more realistic representation of conditions during the period rates were to be in effect, pro forma adjustments for these two items served to make it less so.

Q. HOW MANY POST-TEST-YEAR PRO FORMA ADJUSTMENTS IS QWEST PROPOSING?

A. In this docket Qwest is proposing one post-test-year pro forma adjustment. It arises from Commission Decision No. 66772 issued February 10, 2004, in Qwest's Price Caps Plan Docket. In Decision No. 66772, the Commission ordered Qwest to adjust rates for Basket 1 services April 1, 2004 under the Price Cap Plan's indexing mechanism and to reduce rates for switched access service $5 million effective April 1, 2004. Qwest's Rule 103 filing includes a pro forma adjustment to the 2003 test year for this post-test year rate change, which has already occurred.

QWEST'S REVENUE REQUIREMENT

SUMMARY OF REVENUE REQUIREMENT

Q. HOW IS REVENUE REQUIREMENT PRESENTED IN ARIZONA?

A. Rule 103 Schedule A-1 calls for the presentation of a "Computation of Increase in Gross Revenue Requirements."

Q. BASED ON QWEST'S 2003 TEST YEAR, WHAT IS QWEST'S INCREASE IN GROSS REVENUE REQUIREMENTS?

A. Without pro forma adjustments, Qwest's increase in gross revenue requirements is approximately $415 million based on an 11.18% overall cost of capital and rate base calculated using the original cost less depreciation

1 (OCLD) method. When pro forma adjustments are included, Qwest's revenue
2 requirement is $322 million on Qwest's OCLD rate base. Qwest's fully
3 adjusted revenue requirement on a fair value rate base is $442 million.[31]

4 ***FACTORS UNDERLYING CHANGE IN REVENUE REQUIREMENT***

5 **Q. WHAT FACTORS UNDERLIE THE INCREASE IN QWEST'S REVENUE**
6 **REQUIREMENT SINCE ITS LAST ARIZONA RATE CASE?**

7 A. In a nut shell, Qwest's regulated results of operations have deteriorated
8 substantially. In the Company's last Arizona rate case, Docket No. T-1051B-
9 00-105, the final test year was 1999. The Company's principal revenue
10 requirement witness in that case, George Redding, testified that the
11 Company's increase in revenue requirement, including all adjustments the
12 Company proposed, was $201 million. Now Qwest's revenue requirement on
13 an OCLD rate base (including all adjustments) is $322 million, an increase of
14 $121 million since the last case. However, this difference understates the
15 actual decline in Qwest's financial performance between 1999 and 2003.

16 The $201 million revenue requirement in the 1999 test year included Qwest's
17 proposals for pro forma adjustments that increased revenue requirement
18 $167 million. Only $34 million was attributable to the Company's unadjusted
19 financial results of operations. In the 2003 test year, the revenue

[31] *See* Rule 103 filing schedule A-1.

requirement on unadjusted financial results of operations (using OCLD rate base) is $415 million. Instead of increasing revenue requirement as they did in the 1999 test year, Qwest's pro forma adjustments to the 2003 test year reduce revenue requirement $93 million. This means the deterioration in the Company's unadjusted results of operations between 1999 and 2003 has caused Qwest's revenue requirement to increase approximately $381 million. The changes in financial performance and revenue requirement between the 1999 and 2003 test years are summarized on the following schedule (dollars are in millions):

	1999 Test Year	2003 Test Year	Change from 1999 to 2003
Required Earnings			
Rate Base	$1,566	$1,647	$81
Required Return	10.86%	11.18%	0.32%
Required Earnings	$170	$184	$14
Actual Earnings			
Operating Revenues	$1,249	$1,103	($146)
Operating Expenses	$1,027	$1,249	$222
Taxes	$73	($84)	$(157)
Actual Earnings	$149	($62)	$211
Under (Over) Earnings	$21	$246	$225
Unadjusted Revenue Requirement	**$34**	**$415**	**$381**
Pro-forma Adjustments	$167	($93)	($260)
Adjusted Revenue Requirement	**$201**	**$322**	**$121**

Q. WHAT SIGNIFICANT FACTORS CAUSED THE $146 MILLION DECREASE IN UNADJUSTED INTRASTATE OPERATING REVENUES BETWEEN 1999 AND 2003?

A. The four major components of this decline are a $112 million decrease in local service revenues, a $48 million decrease in intrastate access revenues, a $19 million decrease in long distance revenues and a $33 million increase in miscellaneous revenues.

Q. WHAT SIGNIFICANT FACTORS CAUSED THE $222 MILLION INCREASE IN INTRASTATE OPERATING EXPENSES BETWEEN 1999 AND 2003?

A. The major components of this increase are a $224 million increase in depreciation expense (driven in large part by the increase in gross investment noted below), a $34 million decrease in cost of service, and a $30 million increase in general and administrative expenses.

Q. WHAT SIGNIFICANT FACTORS CAUSED THE $81 MILLION INCREASE IN INTRASTATE NET INVESTMENT BETWEEN 1999 AND 2003?

A. Plant in service increased $1,165 million. Accumulated depreciation increased $1,205 million, accumulated deferred income taxes (ADIT) decreased $102 million and customer deposits decreased $19 million.

Q. WHAT SIGNIFICANT FACTORS CAUSED THE CHANGES IN REQUIRED RATE OF RETURN BETWEEN 1999 AND 2003?

A. The testimony of Qwest witness Peter C. Cummings addresses Qwest's required rate of return.

Q. HOW DO QWEST'S PRO FORMA ADJUSTMENTS DIFFER BETWEEN THE 1999 TEST YEAR AND THE 2003 TEST YEAR?

A. In Qwest's 1999 test year, Qwest's pro forma adjustments increased revenue requirement almost $167 million while in the 2003 test year, Qwest's pro forma adjustments decrease revenue requirement $93 million. The most significant difference is the proposed adjustment to depreciation expense. Qwest's proposed depreciation expense adjustment in the 1999 test year increased revenue requirement $98 million. In the 2003 test year, Qwest's proposed adjustment to depreciation rates decreases revenue requirement $100 million. Another significant difference between the two test years is the imputation of directory revenues. In the 1999 test year the Company proposed no directory revenue imputation. In the 2003 test year the directory revenue imputation in Qwest's adjusted test year is $72 million. Exhibit PEG-D2 is a schedule of the revenue requirement effects of all pro forma adjustments to the 2003 test year.

OVERVIEW OF QWEST'S PRO FORMA ADJUSTMENTS

Q. WHAT IS THE PURPOSE OF PRO FORMA ADJUSTMENTS TO A TEST YEAR?

A. Rule 103 provides that the purpose of pro forma adjustments is to adjust actual test year results and balances to obtain a normal or more realistic relationship between revenues, expenses and rate base.[32]

Q. INTO WHAT CATEGORIES DO QWEST'S PRO FORMA ADJUSTMENTS FALL?

A. Qwest's pro forma adjustments fall into three categories: 1) accounting pro forma adjustments; 2) normalizing pro forma adjustments and 3) ratemaking pro forma adjustments.

ACCOUNTING PRO FORMA ADJUSMENTS

Q. WHAT ARE ACCOUNTING PRO FORMA ADJUSTMENTS?

A. Accounting pro forma adjustments are adjustments to reflect changes in accounting principles and estimates. A change in accounting principle results from adoption of an accounting principle different from the one previously used for reporting purposes. The term "accounting principle" includes not only accounting principles and practices but also methods of applying them.[33] An example of a change in accounting principle is a change from the cash

[32] A.A.C. R14-2-103 A. 3. i.
[33] APB Opinion No. 20, Accounting Changes, ¶ 7

basis of accounting to the accrual basis of accounting for an item of expense. Qwest's pro forma adjustments include three changes in accounting principle that bring accounting for Arizona ratemaking into agreement with the body of authoritative accounting guidance in the United States known as Generally Accepted Accounting Principles (GAAP)[34] and the accounting rules used by the Federal Communications Commission (FCC). They are:

- PFA-02, changing from the cash method to the accrual method of accounting for Post-retirement Benefits Other Than Pensions (PBOPs) in accordance with Statement of Financial Accounting Standards (FAS) No. 106;
- PFA-03, changing from expensing to capitalizing and amortizing the cost of internal use software in accordance with the American Institute of Certified Public Accountants' Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" and
- PFA-04, changing from the capitalization method to the revenue requirement offset method of accounting for financing costs of plant under construction.

Q. WHY DOES QWEST USE DIFFERENT ACCOUNTING TREATMENTS FOR THE SAME COSTS?

A. Qwest maintains different accounting records for different purposes including, for example: external (SEC) reporting; FCC reporting; income tax reporting;

[34] Briefly stated, GAAP is a common set of accounting concepts, standards, procedures and conventions that are recognized by the accounting profession as a whole and upon which most nonregulated enterprises base their external financial statements and reports.

1 and state regulatory reporting. These different types of reporting can and
2 sometimes do call for different accounting treatment of the same cost.

3 The Company maintains its SEC reporting records on what is known as the
4 "financial reporting" (FR) basis which requires full compliance with GAAP.
5 The Company maintains its "monthly reporting" (MR) books for purposes of
6 reporting to the FCC. For ratemaking purposes in the various state regulatory
7 jurisdictions Qwest keeps "jurisdictional reporting" (JR) books.

8 Qwest accounts for the difference between its MR and JR books by making
9 accounting entries for jurisdictional differences (JDs) for each state. The JDs
10 reflect differences between the FCC and the states in the accounting methods
11 and estimates used for regulatory purposes. Qwest has already adopted the
12 three accounting method changes listed above for MR accounting purposes
13 but not for JR accounting purposes in Arizona. Consequently, Qwest records
14 JDs to reflect the difference in accounting method between the FCC and
15 Arizona for those costs.

16 **Q. WHAT CHANGE IN ACCOUNTING ESTIMATE IS QWEST MAKING AND**
17 **WHY IS IT NECESSARY?**

18 A. Preparing financial statements requires estimating the financial effects of
19 future events such as the eventual retirement of plant. Because financial
20 statements are presented on a periodic basis, it is necessary to make

1 changes in these estimates as new events occur, as more experience is
2 acquired, or as additional information is obtained.[35] Qwest is proposing one
3 pro forma adjustment for a change in accounting estimate, PFA-01, which is a
4 technical update to depreciation expense.

5 ***NORMALIZING PRO FORMA ADJUSMENTS***

6 **Q. WHAT ARE NORMALIZING PRO FORMA ADJUSTMENTS?**

7 A. Normalizing pro forma adjustments are adjustments to make the test year
8 results reflect normal, ongoing conditions and a more realistic relationship
9 among revenues, expenses and rate base. The purpose of a test year is to
10 estimate future revenue requirements. Underlying the use of the test year is
11 the presumption that, in general, the relationships among revenues, expenses
12 and capital investment in the future will be substantially similar to those found
13 in the test year. To the extent it can be demonstrated that the relationships of
14 these factors in the test year are not likely to reflect the future, they should be
15 adjusted to reflect "normal" conditions expected in the future. Hence,
16 normalizing adjustments are used to make the test year a better predictor of
17 future revenue requirements.

18 Rule 103 mandates one normalizing adjustment—the use of an end-of-period
19 rate base. Apparently Rule 103 requires an end-of-period rate base on the
20 belief and assumption that rate base at the end of a test year is more

[35] *Id.*, ¶ 10

predictive of rate base in the future than is the average of the rate base during the test year, which is the rate base measure used by most other regulatory commissions.

As my testimony will explain, departure from the average rate base convention implicates other variables in the revenue requirement formula. Specifically, use of an end-of-period rate base requires synchronization of other elements of the test year to the end of the test year to the extent those elements show a clear and significant trend towards a different level at the end of the test year than the level indicated by the whole of the test year.

In this Rule 103 filing, Qwest is proposing eleven normalizing pro forma adjustments. They include:

- PFN-01, adjusting the test year to remove expenses, revenues and taxes properly attributable to other periods and to include expenses, revenues and taxes recorded in other periods properly attributable to the test year;
- PFN-02, adjusting the test year revenues to reflect rate changes made during the course of the test year as if they had been made at the beginning of the test year;
- PFN-03, adjusting test year revenues and expenses experiencing statistically significant changes during the test year so that they reflect normalized results at the end of the test year instead of the average of results during the test year;
- PFN-04, adjusting test year revenues for post-test-year rate reductions Qwest instituted in compliance with Decision No. 66772;
- PFN-05, adjusting test year employee compensation expense so that it reflects the wage and salary rates in effect at the end of he test period as if they had been in effect during the entire test period;

- PFN-06, adjusting "headquarters" allocated expenses to reflect the multi-state allocation factors most reflective of the end of the test year;
- PFN-07, adjusting inter-area rent compensation revenues and expenses between Arizona and Qwest's other jurisdictions using the allocation factors most reflective of the end of the test year;
- PFN-08, adjusting incentive compensation expense accrued during the test year to reflect the amount actually paid for the test year;
- PFN-09, adjusting the test year to correct for a misallocation of call center revenues and expenses to Arizona;
- PFN-10, adjusting property and other tax expense to synchronize them with the end-of-test period values in rate base; and
- PFN-11, adjusting depreciation expense to reflect an annualization of the depreciation expense computed in adjustment PFA-01 for the last month of the test period so as to synchronize computed depreciation with the end-of-period rate base.

RATEMAKING PRO FORMA ADJUSMENTS

Q. WHAT ARE RATEMAKING PRO FORMA ADJUSTMENTS?

A. Ratemaking pro forma adjustments are adjustments to revenues, expenses and rate base to make the test year conform to appropriate ratemaking policies regarding the determination of revenue requirement in Arizona. In Qwest's current Rule 103 filing the ratemaking pro forma adjustments are:

- PFR-01, an adjustment to miscellaneous revenues to impute $72 million in compliance with Decision No. 66230 regarding the sale of the Arizona operations of Qwest Dex, Inc.;
- PFR-02, an adjustment to expenses to remove Commission imposed fines and penalties;

- PFR-03, an adjustment to income tax expense to synchronize the tax deduction for interest expense with the interest expense attributable to the capital structure found by the Commission;
- PFR-04, an adjustment to rate base for cash working capital;
- PFR-05, an adjustment to rate base to include the pension asset resulting from recording annual credits to pension expense;
- PFR-06, an adjustment to remove 1991 merger costs;
- PFR-07, an adjustment to remove charitable contributions recorded above-the-line; and
- PFR-08, an adjustment to treat customer deposits as 100% intrastate, include them in rate base and include the associated interest paid on them in regulated operating results.

REVIEW OF PRO FORMA ADJUSTMENTS

Q. HOW ARE QWEST'S PRO FORMA ADJUSTMENTS ORGANIZED?

A. The calculation of Qwest's pro forma adjustments is included as Appendix A to Qwest's Rule 103 filing. The adjustments are organized into the three categories of adjustments I have described: accounting; normalizing; and ratemaking. Accounting adjustments are denominated "PFA-01," "PFA-02," "PFA-03" and so forth. Normalizing adjustments are labeled "PFN-01," "PFN-02," etc. and Ratemaking adjustments are labeled "PFR-01," etc.

PFA-01, Accounting for Depreciation - Technical Update

Q. PLEASE DESCRIBE ADJUSTMENT PFA-01.

A. Adjustment PFA-01 is a pro forma accounting adjustment to adjust the test year depreciation expense to reflect a "technical update" to depreciation rates.

Q. WHAT IS A "TECHNICAL UPDATE" AND WHY IS IT NECESSARY?

A. Starting in the early 1980's all of Qwest's regulated jurisdictions, including Arizona, adopted the remaining-life technique of depreciation for purposes of regulatory accounting and ratemaking. The remaining-life technique is forward looking. It is designed to depreciate plant at a rate that will cause it to be fully depreciated as close as possible to the end of its projected life. Thus, under the remaining life technique, depreciation rates for each depreciable class of plant are set so that the balance of un-depreciated assets in each class will be fully depreciated by the end of that class' projected remaining life. The formula for calculating the annual rate of depreciation on a class of plant is:

$$\frac{(100\% - \text{Depreciation Reserve } \% - \text{Net Salvage } \%)}{\text{Average Remaining Life}}$$

Under the remaining-life technique, as the factors in the formula change, the depreciation rate will change. Consequently, it is appropriate to update depreciation rates periodically to reflect changes in the factors in the

remaining-life depreciation rate formula. The recalculation of the remaining-life depreciation rate to reflect current factors is known as a "technical update." Adjustment PFA-01 adjusts the test year to reflect a technical update of Arizona remaining life depreciation rates to reflect current factors in the test year. The testimony of Qwest witness Kerry Dennis Wu provides a detailed discussion of the remaining-life technique and the technical update.

PFA-02, Accounting for Post Employment Benefits Other Than Pensions

Q. PLEASE DESCRIBE ADJUSTMENT PFA-02.

A. Adjustment PFA-02 is a pro forma accounting adjustment for a change in accounting method. In December, 1990, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 106 (FAS 106), *Employers' Accounting for Postretirement Benefits Other Than Pensions* (PBOPs). FAS 106 is an authoritative pronouncement of GAAP. Adjustment PFA-02 adjusts the test year to reflect a change in the method of accounting for PBOPs from the cash (or "pay-as-you-go") method to the accrual method that conforms to FAS 106.

Q. HAS QWEST ADOPTED FAS 106 FOR PURPOSES OF REGULATORY ACCOUNTING UNDER THE FCC'S ACCOUNTING RULES?

A. Yes. Under the FCC's accounting rules (Federal Code of Regulations, Title 47, Part 32), Qwest adopted FAS 106 effective for calendar year 1992.

Qwest adopted FAS 106 under an order of the FCC's Common Carrier Bureau that authorized carriers to adopt the accrual method of accounting for PBOPs in accordance with FAS 106 on or before January 1, 1993.[36] The Federal Energy Regulatory Commission (FERC) also ordered adoption of FAS 106 effective for all natural gas pipeline companies and public utilities under FERC's jurisdiction for fiscal years beginning after December 15, 1992.[37]

Q. DOES QWEST ACCOUNT FOR PBOPS USING THE PAY-AS-YOU-GO METHOD IN ANY OTHER STATE JURISDICTION?

A. No. Qwest uses FAS 106 to account for PBOPs in all state regulatory jurisdictions except Arizona.

Q. DID THE COMMISSION PREVIOUSLY DENY QWEST'S REQUEST TO ADOPT FAS 106 TO ACCOUNT FOR PBOPS?

A. Yes. In Docket No. E-1051-93-183, the Company asked the Commission to approve the adoption of FAS 106 for PBOPs. Staff and RUCO opposed the change and the Commission declined to adopt it for ratemaking purposes.[38]

In the Company's most recent rate case[39] Qwest again proposed adoption of FAS 106 for ratemaking.[40] However, neither the Settlement Agreement

[36] See RAO Letter 20 released by the FCC May 4, 1992.
[37] See Federal Energy Regulatory Commission Docket No. AI93-4-000
[38] A.C.C. Decision No. 58927, page 7, lines 9 through 19 and page 40, line 20 through page 45, line 5.

between Qwest and Staff that the Commission adopted with modifications nor the Commission's order in that case[41] made mention of accounting for PBOPs under FAS 106. Consequently, for ratemaking purposes, Qwest continues to account for PBOPs in Arizona using the pay-as-you-go method.

Q. SINCE 1995, WHEN THE COMMISSION DENIED QWEST'S REQUEST TO ADOPT FAS 106, HAS THE COMMISSION APPROVED OTHER REGULATED ENTITIES' USE OF FAS 106 ACCOUNTING FOR PBOPS?

A. Yes. The Commission has approved the use of accrual accounting for PBOPs for ratemaking purposes for Paradise Water Company and Southwest Gas Corporation.[42] I am not aware that the Commission has denied approval of the use of FAS 106 since it approved its use by those companies.

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[39] A.C.C. Docket No. T-1051B-99-105.
[40] Pre-filed Testimony of George Redding dated January 8, 1999, pages 18 and 19. Pre-filed Supplemental Testimony of George Redding dated May 3, 2000, pages 9 and 10.
[41] A.C.C. Decision No. 63487.
[42] A.C.C. Decisions No. 60220 (Paradise Water Company), 60352 (Southwest Gas Corp.).

1 ***PFA-03, Accounting for Internal Use Software***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFA-03.**

3 A. Adjustment PFA-03 is a pro forma accounting adjustment for a change in
4 accounting method. On March 4, 1998, the American Institute of Certified
5 Public Accountants issued Statement of Position 98-1 (SOP 98-1) to provide
6 authoritative guidance on accounting for the costs of internal use computer
7 software effective for financial statements for fiscal years beginning after
8 December 15, 1998. Adjustment PFA-03 adjusts the test year to reflect a
9 change in accounting for internal use software from expensing the cost of the
10 software in the current period to capitalizing and amortizing the cost in
11 accordance with SOP 98-1.

12 **Q. IS SOP 98-1 COMPLIANT WITH GAAP?**

13 A. Yes. SOP 98-1 is considered GAAP. Qwest has used SOP 98-1 to account
14 for internal use software on its financial statements filed with the Securities
15 and Exchange Commission (SEC) since 1999.

Q. HAS QWEST ADOPTED SOP 98-1 UNDER THE FCC'S ACCOUNTING RULES (FCR TITLE 47, PART 32)?

A. Yes. Pursuant to an order of the FCC[43] Qwest adopted SOP 98-1 beginning in 1999 for purposes of accounting under Part 32.

Q. DOES QWEST USE SOP 98-1 IN ALL THE OTHER STATES WHERE IT IS REGULATED?

A. No. Qwest does not use SOP 98-1 to account for internal use software in any state except Oregon.

Q. WHAT EFFECT DOES ADOPTION OF SOP 98-1 HAVE ON THE RECOGNITION OF SOFTWARE COSTS AND REVENUE REQUIREMENT?

A. SOP 98-1 calls for the capitalization and amortization of software costs. Thus, the adoption of SOP 98-1 replaces the practice of expensing the cost of internal use software as and when incurred with the practice of capitalizing and amortizing the cost. Because the adoption of SOP 98-1 triggers the cessation of expensing and replaces it with capitalization and amortization, total expenses for the software in the period of adoption are substantially less than they would be absent adoption. The decrease in expense is equal to the difference between the full cost of the software incurred during the period and the amortization expense attributable to that software during the period.

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[43] See Order in RM-9341Released: June 30, 1999
http://www.fcc.gov/Bureaus/Common_Carrier/Orders/1999/fcc99106.txt

Thus, the effect on operating income and revenue requirement in the initial period of adoption is a significant reduction of both.

Over subsequent periods, the expense-reducing effect of adopting SOP 98-1 abates as amortization of successive new vintages of capitalized software are included in expense. Assuming expenditures for internal use software remain relatively constant from period to period, the expense-reducing effect of adoption is largely offset by amortization of embedded vintages of capitalized software. In other words, assuming expenditures for internal use software remain relatively flat, the expense-reducing effect of adopting SOP 98-1 is largely temporary and, therefore, the revenue requirement reducing effect of adopting SOP 98-1 is also largely temporary.

Q. IS THE TEMPORARY EFFECT OF ADOPTING SOP 98-1 A REASON FOR NOT ADOPTING IT?

A. An argument to that effect could be made. However, absent a compelling reason to the contrary, accounting methods that are in agreement with GAAP and Part 32 are preferable to those that are not. In my opinion, the fact that adoption of an accounting method will temporarily increase or decrease revenue requirement is not a compelling reason for rejecting it. A focus on the effect of an accounting method instead of the reasonableness of the method itself is inimical to the establishment of just and reasonable rates.

In this regard, Qwest could argue that the pro forma adjustment to adopt SOP 98-1 should be modified to reflect the fact that in the period when rates are in effect, the revenue-requirement-reducing effect of adopting SOP 98-1 will probably be less than in the year of adoption. However, the conclusion that software amortization expenses will increase in subsequent periods relies on the assumption that the amount of software capitalized in new vintages will be roughly the same as or more than the 2003 vintage. This assumption is just that, an assumption, and not a known and measurable fact. I believe that modifying the adoption of SOP 98-1 to reflect an assumption instead of a known fact fails to satisfy the appropriate standards for post-test-year pro forma adjustments. Consequently, I am not recommending any modification to the adoption of SOP 98-1 for expected post-test-year conditions.

Q. DOES THE FACT THAT SOP 98-1 COMPLIES WITH GAAP COMPEL THE COMMISSION TO ADOPT IT?

A. It is generally accepted that regulators need not adopt a change in accounting method purely for the sake of conforming regulatory accounting to GAAP. However, in weighing the merits of accounting methodologies, agreement with GAAP is an appropriate and important factor to consider. All other things being equal, methodologies that conform to GAAP are generally preferable to methodologies that do not. The advantage of GAAP is that it is promulgated by persons who are 1) technical accounting experts in their own right, 2)

supported by professional staffs of technical experts, 3) interested in the fair presentation of financial information to the public and 4) disinterested in the ratemaking process. It follows that accounting methodologies in compliance with GAAP enjoy a presumption of fairness and neutrality that does not always attach to non-GAAP methods.

Q. DOES THIS MEAN THAT FOR REGULATORY ACCCOUNTING AND RATEMAKING PURPOSES, GAAP ACCOUNTING IS ALWAYS PREFERABLE TO NON-GAAP ACCOUNTING?

A. Not necessarily. If important regulatory objectives would be compromised by conformance to GAAP, then adherence to it may not be appropriate. For example, one important goal of ratemaking is to set rates so that costs are borne by the causers of the costs. One objective under this goal is to set current rates so that all the costs of providing service are borne by the actual recipients of the service as they are receiving it, not by future purchasers of service or future shareholders.

Certainly GAAP is preferable when it most accurately reflects the full cost of service. But its indiscriminate use should be avoided where a non-GAAP accounting method would yield more equitable treatment of ratepayers and investors.

Q. HOW DOES THE FCC APPROACH THE ADOPTION OF GAAP INTO ITS ACCOUNTING RULES?

A. The FCC's policy is to incorporate changes in GAAP into its regulatory accounting unless the changes conflict with its regulatory objectives.[44] The FCC's rules provide for automatic adoption of new FASB standards unless the FCC notifies carriers that a new standard should not be adopted within 90 days after receiving notification of the FASB standard.[45] As I explain in this testimony, the FCC has adopted many GAAP changes into its Part 32 accounting rules including FAS 106 to account for PBOPs, SOP 98-1 to account for internal use software, and the revenue requirement offset method to account for the cost of financing construction (discussed in adjustment PFA-04).

[44] *Revision of the Uniform System of Accounts for Telephone Companies to Accommodate Generally Accepted Accounting Principles*, CC Docket No. 84-469, Report and Order, 50 F.R. 48408 (November 25, 19850.
[45] 47 CFR § 32.16.

1 ***PFA-04, Accounting for Financing Costs of Plant Under***
2 ***Construction***

3 **Q. PLEASE DESCRIBE ADJUSTMENT PFA-04.**

4 A. Adjustment PFA-04 is a pro forma accounting adjustment for a change in
5 accounting method. It adjusts the test year to reflect changing from the
6 "capitalization" method to the "revenue requirement offset" method of
7 accounting for the financing costs of telephone plant under construction
8 (TPUC).

9 **Q. PLEASE EXPLAIN ACCOUNTING FOR TELEPHONE PLANT UNDER**
10 **CONSTRUCTION.**

11 A. The FCC's accounting rules for telephone companies require all costs
12 associated with acquiring and readying an asset for its intended use to be
13 capitalized as part of the asset's cost.[46] One of these costs is the cost of
14 financing the investment in the asset during the period in which the asset is
15 being readied for service (usually described as the construction period). This
16 cost is referred to as the Allowance for Funds Used During Construction
17 (AFUDC). The FCC's rules, (CFR Title 47, Parts 32 and 65) specify the
18 accounting and interstate regulatory treatment for AFUDC.

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[46] Section 32.2000(c) the FCC's accounting rules (CFR Title 47, Part 32) requires telephones company to charge to the telecommunications plant accounts, where applicable, all direct and indirect costs in accounting for construction costs.

In general, there are three ways to compensate carriers for their investments in assets (TPUC) during the period in which they are being readied for service.

Capitalization Method. Under this method, TPUC is excluded from the rate base during the construction period, but carriers are allowed to capitalize the interest costs, i.e., AFUDC, during that same time period. When plant is placed into service, the cost of construction, including capitalized AFUDC, is transferred from TPUC accounts to plant in service accounts and included in the rate base. Carriers are permitted to earn a return on the investment in the new plant, including the capitalized interest amount, and the cost of that investment is recovered through depreciation charges over the useful life of the plant.

Rate Base Method. Under this method, TPUC is included in the rate base during the construction period, and interest is treated as an expense during the same time period.

Revenue Requirement Offset Method. Under this method, TPUC is included in the rate base during the construction period and AFUDC is recognized as part of that cost of construction. To prevent double recovery, AFUDC for the current period is treated as a revenue amount for ratemaking purposes. For cost of service companies this credit reduces the carrier's revenue requirement.

Q. WHAT METHOD DOES THE FCC PRESCRIBE IN ITS ACCOUNTING AND RATEMAKING RULES?

A. The method prescribed by the FCC has varied over time. In 1967 the FCC required AT&T and the Bell System Companies (which included Qwest's

predecessor in Arizona) to use the revenue requirement offset method for interstate ratemaking.[47]

In 1977 the FCC specified the use of the capitalization method to recover the costs incurred in connection with long-term construction projects. At the same time, the FCC directed carriers to compute interest at the prime rate in determining AFUDC. For short-term construction projects (i.e., projects under construction for less than one year), the FCC decided that it was not necessary to distinguish between current and future ratepayers. Accordingly, the FCC specified the rate base method for short-term construction.[48]

Then, in 1995, the FCC released an order that adopted the revenue requirement offset method for both long-term and short-term construction projects.[49] Attached as Exhibit PEG-D3 is a copy of the order. The order explains why the FCC concluded the revenue requirement offset method is superior to the rate base and capitalization methods and is the best approach.

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[47] FCC Docket No. 16258, *American Telephone and Telegraph Co.*, Interim Decision and Order, 9 FCC 2d at 41-42, recon., 9 FCC 2d at 971-972.

[48] The revenue requirement offset method was adopted in American Telephone and Telegraph Co., Docket No. 19129, Interim Decision and Order, 9 FCC 2d 30, 41-42, recon., 9 FCC 2d 960, 971-972 (1967); and the capitalization and rate base methods were adopted in Phase II Final Decision and Order, 64 FCC 2d at 59.

[49] Report and Order FCC 95-56, CC Docket No. 93-50, released February 28, 1995.

Q. WHAT ARE THE ADVANTAGES OF THE REVENUE REQUIREMENT OFFSET METHOD?

A. First, it complies with GAAP for both short-term and long-term construction projects. Second, it gives carriers an incentive to invest in new plant because both short-and long-term plant under construction and the capitalized AFUDC are included in rate base and, as a result, carriers are allowed to earn a rate of return on the total investment. Third, including the amount of AFUDC capitalized both in the rate base and in current income has the effect of mitigating the increase in revenue requirement that results from including all TPUC in the rate base. Fourth, the other two methods lack all of these advantages.[50]

Q. WHAT METHOD OF ACCOUNTING FOR PLANT UNDER CONSTRCUTION DOES QWEST CURRENTLY USE IN ARIZONA?

A. Qwest employs the capitalization method of accounting for long term plant under construction (LTPUC). Prior to 1982, the Company also employed the capitalization method for short term plant under construction (STPUC). In 1982, the Commission ordered the Company to switch to the rate base method to account for STPUC.[51] In 1983 and 1986 rate case decisions[52] the Commission relied on the rate base method for calculating the Company's

[50] Report and Order FCC 95-56, CC Docket No. 93-50, released February 28, 1995. ¶ 10.
[51] Order, ¶ 4, Decision No. 53040 (May 21, 1982) A.C.C. Docket No. 9981-E-1051-406. page 5. See also Stipulation to Form of Order pp. 5 and 6.
[52] Decision No. 53849 (December 22, 1983) A.C.C. Docket No. E-1051-83-035, page 21 and Decision No. 54843 (January 10, 1986) A.C.C. Docket No. E-1051-84-100, page 27.

STPUC. In the Company's 1993 rate case, the Company's revenue requirement calculation used the rate base method to account for STPUC but Staff recommended the capitalization method. The Commission adopted Staff's proposal[53] and the Company switched back to the capitalization method, which it has been using for both STPUC and LTPUC in Arizona since then. Following is a chart that identifies the FCC's prior and current methods of accounting for AFUDC and the method Arizona has been using.

AFUDC METHODOLOGIES

	Prior FCC	Current FCC	Current Az
Method for **Long** Term Plant Under Construction	**Capitalization**	**Revenue Requirement Offset**	**Capitalization**
Cost of Construction	Excluded from rate base	Included in rate base	Excluded from rate base
AFUDC on Long Term Construction	Capitalized and added to rate base	Capitalized into rate base and credited to current income	Capitalized and added to rate base
Method for **Short** Term Plant Under Construction	**Rate Base**	**Revenue Requirement Offset**	**Capitalization**
Short Term Construction	Included in rate base	Included in rate base	Excluded from rate base
AFUDC on Short Term Construction	Included in cost of service in period incurred	Capitalized into rate base, credited to current income	Capitalized and added to rate base

[53] A.C.C. Docket No. E-1051-93-183, Decision No 58927 (January 3, 1995) pages 5 and 6.

Pro forma adjustment PFA-04 adjusts the test year to reflect adoption of the revenue requirement offset method of accounting for AFUDC on both short-term and long-term construction projects in Arizona. The adjustment brings accounting for AFUDC in Arizona into agreement with FCC accounting and is in compliance with GAAP.

Q. WHY IS THE REVENUE REQUIREMENT OFFSET METHOD MORE APPROPRIATE THAN THE CAPITALIZATION METHOD?

A. Attached as Exhibit PEG-D4 is a two page analysis that compares the:

1. rate base method;
2. revenue requirement offset method; and
3. capitalization method.

The analysis uses a common set of assumptions to compare how the three methods of accounting for construction financing costs provide recovery of those costs. In order to make the analysis more understandable, it uses several simplifying assumptions such as using beginning-of-period balances to calculate rate base and capitalized financing costs and using hypothetical costs of average debt and authorized rate of return. However, the assumptions are consistently applied so that the comparison of the methods is useful and instructive.

The analysis assumes a construction cost of $1,000 and financing costs at an authorized rate of return of 10%. As a simplifying assumption, the full cost of

construction is assumed to be realized on the first day of construction and the plant is assumed to be under construction for one year, so that the total cost of financing the construction is $1,000 multiplied by the authorized 10% return, or $100.

The analysis demonstrates that both the rate base method and revenue requirement offset method provide an opportunity for full recovery of construction costs of $1,000 and financing costs of $100 when the time value of money is taken into account by calculating the present value of the cost recovery each method affords.

The analysis also shows that the capitalization method does not provide an opportunity for full recovery of the costs of construction. The reason is that the capitalization method only provides for recovery of financing costs calculated at the average debt cost of the utility instead of the authorized rate of return of the utility. In essence, the capitalization method denies an opportunity for full recovery of financing costs by employing a rate "arbitrage" that assumes financing costs on plant under construction are incurred at the average cost of debt instead of the overall cost of capital the regulator has found and authorized for recovery. The assumption that construction is financed exclusively with debt is not realistic or reasonable unless the debt and equity balances used to calculate the authorized rate of return on rate

1 base are adjusted to reflect the lower debt to equity ratio that results from
2 allocation of capital financed with 100% debt to plant under construction. To
3 my knowledge, the Commission has never ordered such an adjustment and
4 Qwest's pro forma adjustments do not include one.

5 **Q. DOES CHANGING FROM THE CAPITALIZATION METHOD TO THE**
6 **REVENUE REQUIREMENT OFFSET METHOD ARTIFICIALLY RAISE**
7 **RATES?**

8 A. No. The capitalization method (as distinguished from the revenue
9 requirement offset method and the rate base method) keeps rates artificially
10 low by failing to provide an opportunity for recovery of the full cost of financing
11 plant under construction. The capitalization method provides a continuing
12 windfall for ratepayers at investors' expense. Hence, the FCC has
13 discontinued its use.

14 **Q. DOES CHANGING FROM THE CAPITALIZATION METHOD TO THE**
15 **REVENUE REQUIREMENT OFFSET METHOD INCLUDE IN RATE BASE**
16 **PLANT THAT IS NOT USED AND USEFUL?**

17 A. While it is certainly true that under the revenue requirement offset method
18 rate base includes plant under construction, the cost of the capital invested in
19 plant under construction included in rate base during the construction period
20 is offset by the concurrent credit to cost of service for AFUDC during the

construction period. On my exhibit PEG-D4, this credit is the negative $80 shown in column "k" of the revenue requirement offset example. Under the revenue requirement offset method, during the construction period ratepayers only bear the cost of capital that is the difference between the authorized return and the average cost of debt, which, in the revenue requirement offset method example in exhibit PEG-D4, is the $20 for the construction period shown in column "m."

Inclusion of plant under construction in rate base must be viewed in the context of the total effect of the method being analyzed, not as an isolated issue. A complete analysis of the methods shows that under the revenue requirement offset method, revenue requirement does not include excessive or unreasonable costs.

Q. DOES INCLUSION OF PLANT UNDER CONSTRUCTION IN RATE BASE CAUSE A MISMATCH BETWEEN UNREALIZED SAVINGS OR REVENUES AND COST RECOGNITION?

A. No. If the revenue requirement offset method did not provide a credit to cost of service for AFUDC during the construction period (the negative $80 shown in column "k" of the revenue requirement offset example in exhibit PEG-D4) then I would agree that a mismatch would occur. However, as I've explained, the credit for AFUDC offsets the effect of including TPUC in rate base.

The differences in rates between the debt and the authorized rate of return (the $20 for the construction period shown in column "m." in the revenue requirement offset method example in my exhibit PEG-D4) is relatively small and its effect is fully compensated by several factors. First, at no point in time does the revenue requirement offset method provide a return in excess of costs already incurred by investors. Second, the revenue requirement offset method provides an opportunity for full recovery of financing costs. Third, the capitalization method does not provide an opportunity for full recovery of financing costs and, thereby, provides an unjust windfall to ratepayers at investors' expense. Thus, the FCC concluded that the revenue requirement offset method provides adequate ratepayer protection and best balances ratepayer and carrier interests.[54]

Q. SHOULD THE COMPANY BE REQUIRED TO SUBSTANTIATE THE EXISTENCE OF RATEPAYER BENEFITS TO THE ARIZONA INTRASTATE JURISDICTION BEFORE THE COMMISSION CAN APPROVE ADOPTION OF THE REVENUE REQUIREMENT OFFSET METHOD?

A. No. Whether an accounting method favors ratepayers over investors or investors over ratepayers is not an appropriate criterion for determining the desirability of one accounting method over another. No one could reasonably assert that ratepayers should be subjected to an accounting method solely

[54] Report and Order FCC 95-56, CC Docket No. 93-50, released February 28, 1995. ¶¶ 13-14.

because it produces a higher revenue requirement than another method. It is no less true that investors should not be subjected to accounting method solely because it yields a lower revenue requirement than another method. The choice of accounting methods should turn on which method yields the most accurate reflection of actual costs and actual results of operations.

1 ***PFN-01, Out of Period Revenue & Expense***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-01.**

3 A. Adjustment PFN-01 is a pro forma normalizing adjustment. It removes
4 revenues and expenses recorded in the test period that reflect financial
5 events occurring outside the test period. It also adds to the test period
6 financial events that pertain to the test period that were recorded outside the
7 test period.

8 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

9 A. This adjustment is necessary to make the test year more realistic and more
10 representative of normal ongoing conditions. Specifically, the adjustment
11 accomplishes two things. First, it makes the test year more realistic by
12 removing the effect of financial events that were recorded during the test year
13 but related to prior years. Second, it makes the test year more realistic by
14 including the effect of financial events that are related to the test period but
15 not recorded until after the books for the test period were closed.

1 ***PFN-02, In-Test-Year Rate Changes***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-02.**

3 A. Adjustment PFN-02 is a pro forma normalizing adjustment. It adjusts the test
4 year so that the effects of changes in rates made during the test year are
5 reflected throughout the test year. In other words, adjustment PFN-2
6 annualizes in-test-year rate changes.

7 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

8 A. This adjustment helps make the test year more representative of ongoing
9 conditions by causing the test year to reflect a level of revenues that would be
10 achieved had the rates for services that were in effect at the end of the test
11 year been in effect during the entire test year.

1 ***PFN-03, Operating Income Annualization***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-03.**

3 A. Adjustment PFN-03 is a pro forma normalizing adjustment. It normalizes the
4 test year to better synchronize operating income with the end-of-period rate
5 base required under Rule 103.

6 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

7 A. As do most regulatory jurisdictions, Arizona employs a twelve month test
8 period. However, most jurisdictions establish rate base as the average during
9 the test period. Arizona does not. Instead, Arizona Rule 103 specifies an
10 end-of-period rate base.

11 The use of an end-of-period rate base, instead of an average-of-period rate
12 base, creates the potential for a mismatch between rate base and operating
13 income. This mismatch can occur where the factors (drivers) that determine
14 revenues and expenses during the entire test period are not representative of
15 the factors at the end of the test period (when rate base is measured). A
16 mismatch between rate base and the factors that determine operating income
17 can impair the predictive value of the test year by distorting the financial
18 relationship between rate base and operating income.

19 To avoid distortion, an adjustment to the elements of operating income may
20 be necessary. Whether an adjustment is necessary is determined by an

analysis of changes in factors that explain or predict (drive) changes in the financial elements of operating income.

The analyst must first determine whether the financial elements that comprise operating income differ significantly between the whole of the test period and the end of the test period. If so, the elements must be analyzed to determine whether factors (drivers) can be identified that drive changes in the financial elements. To the extent such drivers are identified, an adjustment must be made so that the elements of operating income driven by identified factors reflect those drivers at the point in time—the end of the test period—when rate base is measured. Adjusting the factor driven financial elements of operating income to reflect the factors at the end of the test period serves to make the relationship between operating income and end-of-period rate base more reflective of ongoing conditions because it synchronizes operating income to the end-of-period rate base.

Q. HOW WAS QWEST'S ANALYSIS AND ADJUSTMENT PERFORMED?

A. The analysis and adjustment involved four steps:

First, I analyzed each significant revenue account and expense account in order to identify anomalous fluctuations.

Second, I investigated the anomalies identified in step 1 to determine whether they represented out of period entries or otherwise distorted ongoing test period operations. If so, I removed the out of period entries in order to create normal results for the test period. The out of period entries are separately adjusted out of the test year in adjustment PFN-01. I also adjusted

the revenue data so that it reflected the rates that were in effect at the end of the test period as if they had been in effect for the whole of the test period. This normalization of in-test-period revenues is reflected in adjustment PFN-02.

Third, I applied linear regression analysis to each normalized account in order to determine whether there were statistically meaningful and reliable divers of variations in the monthly revenue or expense stream.

Fourth, in those cases where I was able to identify a statistically meaningful and reliable driver, I adjusted the data to reflect the value statistically derived from the driver at the end of the test period.

Q. PLEASE EXPLAIN STEP 1.

A. In the first step, I analyzed the underlying data in each account to determine whether there appeared to be any unusual and potentially non-representative transactions that would tend to distort the test period results. My goal in this step was to identify any such anomalous transactions.

Q. WHAT DATA PERIOD DID YOU USE FOR THIS STEP?

A. I used monthly values for the period from January 2001 through December 2003, the end of the test period, consistent with the R14-2-103 filing period.

Q. PLEASE PROVIDE AN EXAMPLE OF THIS STEP.

A. Basic Local Services Revenue, Residence Recurring Charges is recorded to Account 5001.21. I analyzed 36 months of this account by month to identify monthly fluctuations.

1 **Q. WHAT WERE THE RESULTS OF YOUR ANALYIS FOR THIS ACCOUNT?**

2 A. I identified fluctuations in several months that warranted additional
3 investigation.

4 **Q. PLEASE DESCRIBE STEP 2 OF THIS PROCESS.**

5 A. In step 2, I investigated the individual months that step 1 identified as
6 warranting additional investigation.

7 **Q. WHAT WERE THE RESULTS OF YOUR INVETIGATION IN STEP 2 OF**
8 **ACCOUNT 5001.21?**

9 A. I identified three specific transactions that required normalization. First, I
10 identified an accrual of $100,669 made in January 2003 for the Telephone
11 Assistance Plan relating to December 2002. To normalize this transaction, I
12 reversed the entry from January 2003 and added it back to December 2002
13 so that both months more clearly reflected the actual results of operations.

14 **Q. DID YOU TREAT THIS ENTRY AS AN OUT OF PERIOD ITEM IN**
15 **ADJUSTMENT PFN-01?**

16 A. Yes. The entry was booked in test year results but related to 2002.
17 Consequently it had to be adjusted out of the test year in order for the test
18 year to reflect only 2003 data. The adjustment for this entry is included in
19 adjustment PFN-01.

Q. BY INCLUDING AN ADJUSTMENT FOR THIS OUT-OF-PERIOD ENTRY IN BOTH PFN-01 AND PFN-03 ARE YOU "DOUBLING UP" THIS ADJUSTMENT?

A. No. I am maintaining consistent treatment of this entry within the test year. This entry is adjusted out of the test year in PFN-01 because it is an out-of-period entry that does not reflect a 2003 transaction. It is also moved from January 2003 to December 2002 in PFN-03 so that the linear regression analysis of the revenue data will not be distorted by temporal anomalies resulting from entries that pertain to a different month than the month in which they were recorded.

Q. PLEASE DESCRIBE THE SECOND ENTRY THAT YOU NORMALIZED.

A. The second anomalous transaction was for a reversal entry recorded in December 2003 in the amount of $353,530 that corrected an entry relating to November 2003. I normalized this entry by removing it from December 2003 revenues and adding it to November 2003 revenues where it properly belonged. However, I did not include this entry in adjustment PFN-01 because the entry was adjusted entirely within the test year; it was not an out-of-period entry.

1 **Q. PLEASE DESCRIBE THE THIRD ENTRY THAT YOU NORMALIZED.**

2 A. The third anomaly I identified was a revenue reducing entry made in May
3 2002 in the amount of $407,785. The description for this journal entry
4 indicated that this entry which was booked in May 2002 related to revenues
5 that had originally been earned during the three month period from December
6 15, 2001 through March 15, 2002. I normalized this item by removing the
7 entire value from May 2002 and adding it back proportionately to the periods
8 in which it was earned.

9 **Q. DID YOU ADJUST THIS ENTRY IN YOUR TEST PERIOD RESULTS?**

10 A. No. This entry did not need to be adjusted out of the 2003 test period
11 because it was not recorded in the 2003 test period and did not pertain to the
12 2003 test period. Therefore, I normalized the effect of this entry only in the
13 data stream that I used to perform my regression analysis.

14 **Q. WERE ANY OTHER ADJUSTMENTS MADE TO BOOKED MONTHLY**
15 **REVENUES IN ADDITION TO THE OUT-OF-PERIOD ITEMS?**

16 A. Yes. In addition to removing the items that related to years other than the test
17 period, and normalizing monthly results by assigning unusual transactions to
18 the proper months within the test year, I also normalized the revenues data so
19 that all months of the test year reflected the rates that were in effect at the
20 end of the test period. The effect of this normalization is also captured and

incorporated into the test year through adjustment PFN-02, In-Test-Year Rate Changes.

Q. PLEASE DESCRIBE THE LINEAR REGRESSION ANALYSIS THAT YOU PERFORMED IN STEP 3.

A. In the third step I applied linear regression analysis to each normalized account to determine whether statistically meaningful and reliable variations in the monthly revenue or expense stream could be identified. In order to do this, I hypothesized and tested for appropriate drivers ("independent variables") that would account for monthly fluctuations in the particular account. I then computed the coefficient of determination (R-squared) for these independent variables using the normalized revenue (or expense) stream as the "dependent variable."

Q. PLEASE EXPLAIN WHAT AN "R-SQUARED" IS.

A. "R-squared" or "coefficient of determination" is a ratio (expressed as a number between zero and one) that indicates the strength of the relationship between the dependent variable (the revenue or expense account being analyzed) and the independent variables (drivers). The R-squared is the indicator of the extent to which a driver has a statistically meaningful relationship to the independent variable (the revenue or expense account).

Q. WHAT POTENTIAL DRIVERS DID YOU CONSIDER?

A. Depending on the account being analyzed, I considered such drivers as access lines by market segment, dispatched orders by market segment, non-dispatched orders, dispatched repairs, non-dispatched repairs, access minutes and so on. I drew from a pool of 19 different variables as potential drivers for the various individual revenue and expense accounts.

Q. DID YOU PERFORM ANY ANALYSIS BEFORE COMPUTING THE LINEAR REGRESSION RESULTS?

A. Yes. Before performing the regression analysis for the individual accounts, I prepared a correlation matrix that measured the correlation between the accounts to be examined and the 19 factors I had identified as potential drivers. The matrix provided a filter to identify variables which clearly had no potential to serve as drivers and provided a useful insight into factors with significant potential as drivers that merited regression analysis.

Q. DID YOU DRAW ANY CONCLUSIONS FROM THE CORRELATION MATRIX?

A. Yes. It was immediately obvious from the strong correlations observed in the revenue accounts that linear regression analysis of certain drivers would be likely to yield significant results. It was also clear that the correlation matrix revealed no drivers of expense accounts.

Q. A. WERE YOU SURPRISED THAT THE CORRELATION MATRIX REVEALED POSSIBLE REVENUE DRIVERS BUT NO EXPENSE DRIVERS?

A. No. I expected revenues to be driven by business volumes such as access lines and other factors that are likely to directly influence revenues. When an access line is gained or lost, revenues are immediately gained or lost.

In contrast, I realized that expenses were less likely to be directly influenced by business volumes. Many business expenses are not particularly sensitive to changes in business volumes within a relevant range. If I were to open a sandwich shop, my costs for rent and depreciation on fixtures and equipment would not vary regardless of whether I served 100 customers a week or 1,000 customers a week. My cost for utilities and labor would vary only indirectly with customer volumes because I must keep the lights and heat on have a minimum complement of employees standing by to provide service regardless of how many or few customers I serve. The costs that would vary more or less directly with business volumes would for be for food, condiments and supplies.

The same relationship of expenses to business volumes also applies to Qwest. However, Qwest's cost structure is weighted towards costs that are fixed in nature because telephony is a capital intensive business that relies on

1 automated equipment and fixed facilities for the provision of service. In
2 addition, as a carrier of last resort subject to Commission enforced service
3 quality standards, Qwest must incur the costs necessary to stand ready to
4 meet customer demand and provide a quality of service that avoids penalties
5 regardless of its business volumes. Consequently, a short run change in
6 business volumes would not be expected to yield a short run change in
7 expense levels, although over time expense levels are likely to respond to
8 changes in business volumes.

9 **Q. PLEASE EXPLAIN HOW YOU PERFORMED YOUR LINEAR**
10 **REGRESSION ANALYSIS FOR ACCOUNT 5001.21.**

11 A. Because Account 5001.21 contains monthly recurring residential local service
12 revenues, I hypothesized that the appropriate independent variable (driver)
13 was Residential Access Lines in service. Accordingly, I used the normalized
14 monthly revenue stream as the dependent variable and residential access
15 lines as the independent variable for this linear regression analysis.

16 **Q. WHAT SELECTION CRITERIA DID YOU ESTABLISH IN ORDER TO**
17 **ACCEPT OR REJECT THE RESULTS OF THE REGRESSION ANALYSIS?**

18 A. I used a two prong test. For the first prong of the test I measured for the
19 predictive value of the regression, its "R-squared." In the second prong of
20 the test I measured for its statistical reliability, its "T score." In all cases, for

predictive value I required a coefficient of determination (R-squared) of at least 50%. That is, the independent variables (drivers) that I used for each regression were required to explain a minimum of 50% of the variation in the dependent variable (the account under study).

Secondly, in all cases I required a "T-Score" of at least 1.96 or greater. The "T-Score" measures the probability that the relationship between the independent variable and dependent variable under study has been identified as statistically significant solely due to random chance. The greater the "T-score" is, the less the probability is that the relationship is due to random chance. I will discuss this significance of the "T-Score" momentarily.

Q. WHAT WERE THE RESULTS OF YOUR REGRESSION ANALYSIS OF ACCOUNT 5001.21?

A. The regression analysis resulted in a coefficient of determination (R-squared) of 0.9506 for this account. This R-squared indicates that the driver (residential access lines) is—as one would expect—a very good explainer of the dependent variable (Basic Local Services Revenue, Residence Recurring Charges). An R-squared of .9506 indicates that 95.06% of the monthly variation in booked revenues is explained by the level of residential access lines.

Q. PLEASE DESCRIBE THE RELIABILITY OF THIS RELATIONSHIP IN STATISTICAL TERMS.

A. In statistical terms the reliability of the relationship—the second prong of the regression analysis—is expressed as the T-score. The T-score identifies the probability that the independent variable (residential access lines) is incorrectly identified as statistically correlated with a dependent variable (revenues from recurring residential charges). A T-score of 1.96 or greater indicates there is less than a 5% probability that the independent variable studied has been falsely identified as correlated with the dependent variable. A T-Score of 3.291 indicates there is less than a 0.1% probability of false correlation.

Q. WHAT WAS THE T-SCORE FOR THE ANALYSIS OF ACCOUNT 5001.21?

A. The T-Score was 382.81. Essentially, residential access lines are an almost perfect predictor for this account. There is practically no chance that this correlation is statistically spurious.

Q. PLEASE EXPLAIN HOW YOU USED THE REGRESSION ANALYSIS TO DEVELOP YOUR ADJUSTMENT FOR THIS ACCOUNT.

A. I applied the coefficient from the regression, $12.80345 per month per access line, to the residential access lines in service at the end of the test period. I then multiplied that amount by twelve to yield pro forma annual revenues.

1 This calculation produced annual pro forma revenues for this account of
2 $252,212,043. Recorded annual normalized test period revenues were
3 $272,382,244. The difference between recorded annual normalized revenues
4 and the pro forma revenues yielded an adjustment of $22,170,201.

5 **Q. *DID YOU ALSO COMPUTE THE ADJUSTMENT USING ONLY***
6 **NORMALIZED DECEMBER REVENUES?**

7 A. Yes. Had I multiplied normalized December revenues by twelve, the resulting
8 annual revenues would have been $252,468,116 and the corresponding
9 adjustment would have been $21,914,129. Though the results of multiplying
10 the last month of the test period by twelve and using regression analysis are
11 quite close, regression analysis is the clearly superior annualization
12 methodology.

13 Only the regression analysis method eliminates the risk of introducing
14 distortion into the data that can occur when any unidentified anomalies in a
15 single month's financial data are multiplied by twelve. The risk of such
16 anomalies is most pronounced in the month of December, which is the last
17 month of the fiscal year and so subject to year end true-ups and accruals.

18 The advantage of a properly conducted linear regression analysis over
19 multiplication of a limited sample (one month's or one quarter's worth) of
20 financial data is that linear regression analysis relies on drivers that are less

subject to anomalies and more likely to be representative of end-of-period conditions than are end-of-period financial data. Hence, regression analysis is more likely to yield results that are representative of end-of-period conditions than is multiplication of December financial data by twelve.

Q. DID YOU MAKE AN ADJUSTMENT FOR EVERY REVENUE AND EXPENSE ACCOUNT?

A. No. Where I found no statistically meaningful and reliable correlation between the normalized results and an independent variable I made no adjustment.

Q. DID THE COMPANY TAKE THE SAME APPROACH TO END-OF-PERIOD ANNUALIZATION IN ITS LAST ARIZONA RATE CASE THAT YOU ARE TAKING IN THIS CASE?

A. No. The Company's approach in the last case was markedly different. In Qwest's last Arizona rate case, witness George Redding adjusted each and every account. In this Rule 103 filing, Qwest adjusted only those accounts that showed a change that was statistically meaningful and reliable. Using regression analysis instead of making a blanket annualization adjustment avoids indiscriminate annualization of a result whether or not it represents a statistically meaningful and reliable change.

In Qwest's last rate case, Mr. Redding adjusted the test year so that each account reflected the recorded amount of financial results in the last month of the test period multiplied by twelve. In this filing the adjustments are made based on statistically meaningful and reliable drivers at the end of the test period. Using drivers instead of as-recorded actual financial results avoids the introduction of anomalies or unusual entries that may be present in just one month's financial data. The risk of financial anomalies is greatest in December, the month in which year-end entries are made.

Q. IS ADJUSTMENT PFN-03 A POST-TEST-YEAR ADJUSTMENT?

A. No. Adjustment PFN-03 reflects data taken solely from actual results of operations during the test year. It does not incorporate any post-test-year data or reflect projections of post-test-year results.

Q. ARE YOU PROVIDING WORK PAPERS DETAILING YOUR NORMALIZATION AND ANALYSIS OF REVENUE AND EXPENSE ACCOUNTS?

A. Yes. Appendix A to Qwest's Rule 103 filing is a set of work papers, including work papers for this adjustment PFN-03. The PFN-03 work papers detail my analysis of revenue and expense accounts for this adjustment. They include the correlation matrix of 49 expense accounts and 20 revenue accounts that were reviewed. They also show the calculation of adjustments to 24

individual accounts. Exhibit PEG-D5 is a schedule that shows the driver, R-Squared, T-Score, 2003 actual results, 2003 normalized value, and the adjustment amount for each of these 24 accounts.

PFN-04, Post-Test-Year Rate Changes

Q. PLEASE DESCRIBE ADJUSTMENT PFN-04.

A. Adjustment PFN-04 is a pro forma normalizing adjustment. It adjusts test year revenues to reflect the effect of post-test-year rate reductions Qwest instituted April 1, 2004. Qwest reduced rates in compliance with Decision No. 66772, which ordered Qwest to adjust Basket 1 prices under the Price Cap Plan's indexing mechanism and to reduce switched access $5 million effective April 1, 2004.

Q. WHY IS THIS POST-TEST-YEAR ADJUSTMENT NECESSARY AND APPROPRIATE?

A. This adjustment is necessary to make the test year more realistically and accurately reflect future conditions. The adjustment is appropriate because the effect of the rate reduction is known and measurable, because it has already occurred and because it is a change in rates that does not alter or distort the relationship among volume factors within the test year.

1 ***PFN-05, Wage and Salary Rates***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-05.**

3 A. Adjustment PFN-05 is a pro forma normalizing adjustment. It adjusts test
4 wage and salary expenses so that they reflect the wage and salary rates at
5 the end of the test year.

6 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

7 A. This adjustment is necessary to make the test year expenses reflect a more
8 normal and realistic relationship with rate base which is measured at the end
9 of the test year.

10 **Q. HAVE YOU ALSO INCLUDED AN ADJUSTMENT FOR CHANGES IN**
11 **EMPLOYEE LEVELS DURING THE TEST YEAR?**

12 A. No. I performed an analysis of employee levels during the test year which is
13 shown in Exhibit PEG-D6. I found no statistically valid trend in employee
14 levels over time. The R-Squared of the independent variable (time) to the
15 dependent variable (employee count) was only 0.114 and the T-Score was
16 1.13, indicating an absence of any statistically meaningful and reliable
17 relationship. In other words, the variability in the level of employees over the
18 course of the test year does not support the hypothesis that the employee
19 count at the end of the test year is more realistic or representative of ongoing
20 conditions than the count during the test year as a whole. Accordingly, I
21 made no adjustment for end-of-period employee levels.

1 ***PFN-06, Headquarters Factors Update***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-06.**

3 A. Adjustment PFN-06 is a normalizing adjustment. It adjusts "headquarters"
4 type expenses to reflect the most current allocations factors.

5 **Q. WHAT IS A "HEADQUARTERS" TYPE EXPENSE?**

6 A. Around sixty percent of Arizona's expenses other than depreciation and taxes
7 are from employees who perform multi-state services. These expenses are
8 assigned to the Company's operating states based on "headquarters" factors
9 appropriate for the underlying expense. For example, expenses associated
10 with white pages directory services are assigned based on a count of white
11 page directory listings. Similarly, expenses incurred in providing toll services
12 are assigned based on toll message volumes and so on. Adjustment PFN-06
13 adjusts the headquarters expenses assigned to Arizona operations consistent
14 with end-of-test-period volumes, in a manner similar to adjustment PFN-07 for
15 the inter-area rent compensation study. The adjustment reduces test year
16 headquarters expense.

17 **Q. WHY DID ARIZONA'S HEADQUARTERS FACTORS DECLINE DURING**
18 **THE TEST YEAR?**

19 A. In a nutshell, headquarters factors are declining in Arizona because Qwest is
20 losing customers significantly faster in Arizona than in other states.

Consequently, Arizona's percent of Qwest's total business is shrinking and with it, some of the factors that allocate headquarters expenses to Arizona.

Q. HOW OFTEN DOES QWEST UPDATE HEADQUARTERS PRORATE FACTORS?

A. Qwest updates headquarters prorate factors twice annually at the same time the rent compensation studies are updated. In a manner similar to inter-area rent compensation studies, headquarters studies are completed using March data and the results are used to apportion expenses during the following July through December. A second study is performed in October and the results of that study are used to apportion expenses during the following January through June.

Q. WHAT IS THE SPECIFIC NATURE OF YOUR ADJUSTMENT?

A. My adjustment applies the headquarters factors that are based on the period nearest to the end of the test period (October, 2003) to the headquarters expenses incurred during the test period.

Q. WHY IS THIS ADJUSTMENT NECESSARY?

A. As does adjustment PFN-07 for rent compensation, this adjustment causes the test year to reflect a more normal and realistic relationship between headquarters expenses and the end-of-test-year rate base.

PFN-07, Rent Compensation Update

Q. PLEASE DESCRIBE ADJUSTMENT PFN-07.

A. Adjustment PFN-07 is a pro forma normalizing adjustment. It adjusts the test year by normalizing inter-area rent compensation expense to the annual value based on the inter-area rent compensation study that uses data from the period closest to the end of the test year.

Q. WHAT IS INTER-AREA RENT COMPENSATION EXPENSE?

A. Many of the Company's assets are located in one state but used to provide services to other states ("multi-state assets"). For example, the Company operates several large data processing centers that are used to generate customer's bills. The inter-area rent compensation study identifies the cost of these multi-state assets and apportions the cost to the states that are served.

Q. WHAT IS THE NATURE OF ADJUSTMENT PFN-07?

A. Adjustment PFN-07 adjusts test year rent compensation expense to the level based on the measurement of associated investment taken nearest the end of the test period. In other words, this adjustment updates test year rent compensation expense to reflect the last Rent Compensation study before the end of the test period.

Q. HOW OFTEN ARE RENT COMPENSATION STUDIES UPDATED?

A. Qwest performs Rent Compensation studies twice each year. The first study is completed based on investments at the end of March. Qwest records the results of that study during the following July through December. A second study is completed based on investments at the end of October. Qwest records the results of that second study beginning the following January through June. Adjustment PFN-07 adjusts the test year to reflect rent compensation expense using the study based on investments at the end of October, 2003.

Q. WHY IS THIS ADJUSTMENT NECESSARY?

A. This adjustment is necessary to make the relationship between test year rent compensation expense and Qwest's end-of-period rate base more realistic and normal. This adjustment synchronizes Arizona's rent compensation expense as closely as possible with the underlying end-of-period investment.

PFN-08, Incentive Compensation True-up

Q. PLEASE DESCRIBE ADJUSTMENT PFN-08.

A. Adjustment PFN-08 is a pro forma normalizing adjustment. It adjusts accrued incentive compensation expense for the test year to reflect actual incentive compensation expense paid to employees for the test year.

Q. WHY IS THIS ADJUSTMENT NECESSARY?

A. This adjustment is necessary to make the test year reflect a more realistic level of compensation expense.

1 ***PFN-09, Call Centers***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-09.**

3 A. Adjustment PFN-09 is a pro forma normalizing adjustment that adjusts the
4 assignment of expenses and revenues associated with customer call centers
5 to the states actually served by those call centers.

6 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

7 A. Qwest operates regional call centers located in Arizona and eleven other
8 states. The call centers handle customer calls for all fourteen Qwest states.
9 In 2004, after the test period had ended, Qwest determined that several
10 groups of employees that work in these regional call centers were incorrectly
11 charging their expenses either to their physical work location or to a small
12 group of states instead of to the states for which their call center was
13 providing service. Qwest also discovered that the Section 272 affiliate
14 revenues received for performing the function of processing Qwest L D Corp.
15 service orders taken in these call centers was being incorrectly assigned to
16 the states where the call centers were located rather than to the states for
17 which the call centers were providing service. Adjustment PFN-09 makes the
18 test year more realistic by reassigning the expense and revenue to the correct
19 states based on where the orders for service originated.

1 ***PFN-10, Property Taxes***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFN-10.**

3 A. Adjustment PFN-10 is a pro forma normalizing adjustment. It normalizes
4 property tax expense and personal tax expense to end-of-test-period
5 investment values and rates.

6 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

7 A. This adjustment synchronizes property and other tax expense to be
8 consistent with the end-of-test period values. It makes the relationship
9 between test year expenses and end-of-period rate base more realistic.

PFN-11, Depreciation Expense Synchronization

Q. PLEASE DESCRIBE ADJUSTMENT PFN-11.

A. Adjustment PFN-11 is a pro forma normalizing adjustment. It synchronizes test year depreciation expense as calculated in Adjustment PFA-01 with the end-of-test-period rate base by annualizing the depreciation expense computed under adjustment PFA-01.

Q. WHY IS THIS ADJUSTMENT NECESSARY?

A. This adjustment is necessary to synchronize depreciation expense with the end-of-test-period rate base. Depreciation expense is accrued monthly on all plant in service. If Rule 103 specified an average of test year rate base, then the depreciation expense for the entire test year would be properly synchronized with the amount of plant in service used to determine rate base. However, Rule 103 calls for an end-of-test-period rate base. It follows to portray a realistic relationship between depreciation expense and rate base, depreciation expense must be adjusted to reflect the level accrued on plant in service as close to the end of the test year as possible. Accordingly, Adjustment PFN-11 adjusts test year depreciation expense by annualizing December's deprecation expense as computed in Adjustment PFA-01.

1 ***PFR-01, Directory Revenue Imputation***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-01.**

3 A. Adjustment PFR-01 is a ratemaking adjustment that adjusts the test year by
4 imputing $72 million to miscellaneous revenues.

5 **Q. DOES THIS ADJUSTMENT REFLECT REVEUES THAT QWEST'S IS**
6 **ACTUALLY RECEIVING?**

7 A. No. The adjustment is an imputation of revenues that Qwest is not receiving.

8 **Q. THEN WHY IS QWEST MAKING THIS ADJUSTMENT?**

9 A. Qwest is making this adjustment to comply with the requirements of Decision
10 No. 66230 in Docket No. T-01051B-02-0666, regarding the sale of the
11 Arizona operations of Qwest Dex, Inc. In that docket, Qwest and Staff
12 entered into a settlement agreement which provided that for a period of 15
13 years, the amount of annual directory revenues imputed to Qwest and
14 included in Qwest's test year operating income would be $72 million.
15 Decision 66230 adopted the settlement agreement but extended the period of
16 the imputation from 15 to 40 years.[55] Pro forma adjustment PFR-01 complies
17 with this requirement.

[55] Docket No. T-01051B-02-0666, Decision No. 66230 (September 8, 2003) page 22.

1 ***PFR-02, Fines and Penalties***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-02.**

3 A. Adjustment PFR-02 is a ratemaking adjustment that removes from operating
4 expense the cost of Commission imposed fines and penalties incurred during
5 2003.

6 **Q. WHY ARE YOU EXCLUDING THIS COST FROM THE CALCULATION OF**
7 **REVENUE REQUIREMENT?**

8 A. As I have explained, the general rule is that costs Qwest incurs to operate its
9 business are presumed reasonable and includable in revenue requirement
10 absent a showing by clear and convincing evidence that they are
11 unreasonable, dishonest or obviously wasteful. However, the presumption of
12 reasonableness does not extend to fines and penalties (although it does
13 extend to litigation cost to contest fines and penalties).

14 The presumption that attaches to fines and penalties is that they are not
15 includable in revenue requirement absent a showing that they are reasonable
16 and prudent. In other words, unless Qwest can show that the fines and
17 penalties were a reasonable business expense, then they should be
18 disallowed.

19 It is conceivable that Qwest could show that the fines and penalties it incurred
20 were reasonable and appropriate by showing that the cost of avoiding them

would have exceeded the cost of incurring them. However, the amount of fines and penalties included in the test year is small. Consequently, I did not attempt such a showing. Accordingly, adjustment PFR-02 removes from the test year the cost of fines and penalties.

1 ***PFR-03, Interest Synchronization***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-03.**

3 A. Adjustment PFR-03 is a ratemaking adjustment known as "interest
4 synchronization." The adjustment imputes income tax expense credits to
5 operating expense. The imputation synchronizes the deduction for interest
6 expense for purposes of computing income tax expense with the interest
7 attributable to the portion of rate base financed with debt.

8 **Q. DOES THIS ADJUSTMENT REFLECT THE INCOME TAX EXPENSE**
9 **CREDITS THAT QWEST IS ACTUALLY GENERATING FROM DEBT?**

10 A. No. This adjustment is an imputation of tax expense credits.

11 **Q. WHY ARE YOU INCLUDING THIS IMPUTATION IN REVENUE**
12 **REQUIREMENT?**

13 A. The purpose of pro forma adjustments to actual test year results and
14 balances is to obtain a normal or more realistic relationship among revenues,
15 expenses and rate base. The interest synchronization adjustment serves the
16 purpose of making the relationship between tax expense and the cost of
17 financing the rate base more realistic.

18 The principle behind the interest synchronization adjustment is that the tax
19 consequences of all the elements of cost of service should be recognized and
20 included in the computation of revenue requirement and that the tax

consequences of costs and revenues excluded from calculation of cost of service should, likewise be excluded. In accounting parlance, the calculation of revenue requirement employs the principle of "comprehensive inter period income tax allocation." The principle of comprehensive inter period income tax allocation demands that for each increment of revenue and cost recognized in the calculation of revenue requirement, the income tax consequence of that increment also be recognized and included in the calculation of revenue requirement. That is, all revenues and all costs are "tax effected."

One cost included in revenue requirement is the weighted cost of debt (interest) on the rate base. Generally, the interest on the rate base and the actual interest a regulated entity pays are not the same. The tax expense on the regulated entity's books reflects the actual interest on the books, not the interest on the rate base. The interest synchronization adjustment adjusts (or synchronizes) tax expense in the revenue requirement to reflect interest on the rate base instead of interest actually paid.

Q. IF THE COMMISSION ADOPTS A DIFFERENT RATE BASE OR A DIFFERENT WEIGHTED COST OF DEBT THAN QWEST'S RULE 103 FILING SHOWS, WILL INTEREST SYNCHRONIZATION NEED TO BE RECALCULATED?

A. Yes. If the Commission ultimately adopts a different rate base or weighted cost of debt, the interest synchronization adjustment must be recalculated to reflect the Commission's findings.

1 ***PFR-04, Cash Working Capital***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-04.**

3 A. Adjustment PFR-04 is a ratemaking adjustment to rate base for cash working
4 capital.

5 **Q. WHAT IS WORKING CAPITAL?**

6 A. The accounting definition of working capital is current assets less current
7 liabilities. But this definition is little used in rate regulation. For ratemaking
8 purposes, working capital the average amount of capital provided by investors
9 in the company, over and above the investments in plant and other
10 specifically identified rate base items, to bridge the gap between the time that
11 expenditures are required to provide service and the time collections are
12 received for that service. The FCC describes cash working capital as the
13 average amount of investor-supplied capital need to provide funds for a
14 regulated entity's day-to-day operations.[56]

15 **Q. WHY IS CASH WORKING INCLUDED IN RATE BASE?**

16 A. Cash working capital is included in rate base in order to properly recognize
17 the amounts of investor-supplied capital required to fund working capital
18 necessary to support Arizona operations.

[56] See, CFR Title 47, Part 65, Section 65.820(d).

Q. HOW IS CASH WORKING CAPITAL CALCULATED?

A. Professor Phillips explains three ways the cash component of working capital can be determined:

> (1) A detailed lead/lag study, which measure the amount of time before expenses must be paid (expense lead) and compares it with the amount of time before revenues are received (revenue lag).
>
> (2) A formula approach (developed to avoid a costly lead/lag study in every case), which commonly uses one-eighth of a utility's annual operating and maintenance expenses, excluding fuel and purchased power. The factor of one-eighth equate to a forty five day time lag between the rending of the service by a utility and payment by the customer.
>
> (3) The balance sheet method, representing the difference between a utility's current assets and current liabilities.[57]

Q. WHAT METHOD OF CALCULATING CASH WORKING CAPITAL IS USED IN ARIZONA?

A. Historically, it was the Commission's practice to rely on the formula method. In a 1972 rate case order that relied on the formula method the Commission said:

> While we believe the lead-lag study made by Staff is interesting and informative it has been the past practice of the Commission to allow a utility working capital allowance established by formula....[58]

In the Company's 1974 rate case the Commission approved the Company's cash working capital calculation based on a formula approach. In that case

[57] Charles F. Phillips, Jr., *The Regulation of Public Utilities* (Public Utilities Reports, Inc., 1988) p. 333.
[58] A.C.C. Docket No. 9981-E-1051, Decision No. 42037 (April 10, 1972) p. 50.

1 the Commission noted the formula was similar to the formula used by the
2 Federal Communications Commission.[59] In the Company's 1983 rate case
3 the Company and A.C.C. Staff utilized a modified formula approach but the
4 Commission indicated the Company would be expected to file a lead-lag
5 study in its next rate case.[60] In the Company's 1984 rate case[61] the company
6 filed a lead-lag study to calculate cash working capital and has done so ever
7 since.

8 **Q. DO ALL STATES NOW RELY ON A LEAD-LAG STUDY TO CALCULATE**
9 **AN ALLOWANCE FOR WORKING CAPITAL?**

10 A. No. For example, the Washington Utilities and Transportation Commission
11 relies on the balance sheet method. Some states use the formula approach.

12 **Q. WHAT IS THE PURPOSE OF A LEAD-LAG STUDY?**

13 A. The purpose of a lead-lag study is to accurately establish the amount of
14 investors' funds used in sustaining utility operations from the time
15 expenditures are made in providing services to the time revenues are
16 received as reimbursement for these services. The lead-lag study requires a
17 comprehensive analysis of the test year transactions to determine the "net lag
18 days" between: (1) the time lag between services rendered and the receipt of

[59] A.C.C. Docket No. 9981-E-1051, Decision No. 46019 (April 28, 1975) p. 5.
[60] A.C.C. Docket No. E-1051-83-035, Decision No. 53849 (December 22, 1983) pp. 18 and 19.
[61] A.C.C. Docket No. E-1051-84-100, et al.

1 revenues for such services; and (2) the time lag between the recording of
2 labor, materials, etc., costs and the payment of such costs.[62]

3 **Q. HAS QWEST PREPARED A COMPREHENSIVE LEAD LAG STUDY TO**
4 **DETERMINE ITS INTRASTATE CASH WORKING CAPITAL**
5 **REQUIREMENT IN THE TEST PERIOD?**

6 A. Qwest has prepared a lead-lag study which is included in Appendix A to
7 Qwest's Rule 103 filing as support for this adjustment PFR-04. The study is
8 not comprehensive because it excludes certain non-cash items such as
9 depreciation.63 However, the Commission has refused to allow non-cash
10 items in lead-lag studies. Although the exclusion of non-cash items fails to
11 yield a comprehensive and theoretically correct determination of working
12 capital, Qwest has chosen not to contest this omission in this case.

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[62] Hahne and Aliff, *Accounting for Public Utilities* (Mathew Bender 1995) p. 5-10.
[63] In *Accounting for Public Utilities* (Mathew Bender 1995) pp. 5-1 through 5-32, Hahne and Aliff explain the development of a proper lead lag study and provide a thorough analysis of the reasons why non-cash items are appropriately included in lead lag studies. The tautology that non-cash items should be excluded from a cash working capital study fails to address whether non-cash items represent investor supplied capital that should be included in rate base.

1 ***PFR-05, Pension Asset***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-05.**

3 A. Adjustment PFR-05 is a ratemaking adjustment. It adjusts the test year by
4 including the Arizona intrastate portion of Qwest's pension asset in rate base.

5 **Q. IS THE PENSION ASSET AN IMPUTATION?**

6 A. No. The pension asset is a real asset on Qwest's books. It is on Qwest's
7 balance sheet.

8 **Q. WHY IS THE PENSION ASSET ON QWEST'S BOOKS?**

9 A. The pension asset has been created by accounting entries; specifically, the
10 accrual of credits to pension expense starting in 1987 in accordance with
11 Statement of Financial Accounting Standard No. 87, *Employers' Accounting*
12 *for Pension*s (FAS 87). As credits were recorded to pension expense, a
13 corresponding debit to the account for the pension asset was made.

14 **Q. ORDINARILY, EXPENSES ARE CHARGES (DEBITS). WHY DID QWEST**
15 **RECORD CREDITS TO PENSION EXPENSE INSTEAD OF DEBITS?**

16 A. In 1985, the Financial Accounting Standards Board (FASB) issued FAS 87.
17 Qwest began accounting for pension expense under FAS 87 in 1987. Prior to
18 following FAS 87, Qwest recorded pension expense on the pay-as-you go
19 (cash) method. In other words, Qwest recorded pension expense when it
20 made contributions to its pension plan trust fund (Pension Trust).

In 1987, when Qwest began following FAS 87, its accounting for pension expense and its funding of the Pension Trust were de-coupled. FAS 87 prescribes a complex formula for determining pension expense. Depending on the results of the formula, pension expense can be positive (a debit) or negative (a credit). In Qwest's case, pension expense under FAS 87 has been a credit in all years since 1987 except 1994 and 1995. The pension asset is the result of 14 years of pension expense credits.

Q. DOES THE PENSION ASSET EXIST BECAUSE QWEST OVER-FUNDED ITS PENSION PLAN?

A. No. The amount Qwest contributes to its pension plan has been and continues to be subject to limitations under ERISA and federal income tax laws. Qwest and its predecessors have not over-funded the plan under those laws.

Q. HAS THERE BEEN A SURPLUS IN QWEST'S PENSION FUND?

A. Yes. FAS 87 establishes rules for calculating a surplus or deficit in a pension fund for accounting purposes. For example, when Qwest first adopted FAS 87 in 1987 the computation of the surplus in the pension fund under FAS 87 rules was roughly $1.9 billion, right out of the box so to speak, even though Qwest and its predecessors had never over-funded the plan under ERISA and tax laws.

1 While the pension plan has continued to pay pension benefits, there has been
2 no funding of the Pension Trust since 1987. Nevertheless, the fair value of
3 plan assets in the Pension Trust grew from $6.6 billion at year-end 1987 to
4 $14.6 billion at year-end 1999 and the surplus computed under FAS 87 grew
5 to $5.8 billion at year-end 1999.

6 **Q. IS THERE STILL A SURPLUS IN THE PENSION FUND?**

7 A. No. As of the most current available Plan valuation date, January 1, 2003,
8 the fair value of Plan assets had shrunk to $8.4 billion and, instead of an
9 accounting surplus, the Plan had an accounting deficit of $0.7 billion.

10 **Q. IF THE PLAN IS NOW HAS AN ACCOUNTING DEFICIT, WHY IS THERE**
11 **STILL A PENSION ASSET?**

12 A. A surplus or deficit in the pension plan trust is not to be confused with the
13 pension asset. The surplus or deficit is in the Pension Trust, a separate legal
14 entity, not on Qwest's books. The pension asset is on Qwest's books, not in
15 the Pension Trust. Adjustment PFR-05 pertains solely to the pension asset
16 on Qwest's books.

17 **Q. DOES THE CREATION OF A PENSION ASSET REPRESENT A UNIQUE**
18 **OR UNUSUAL ACCOUNTING PHENOMENON?**

19 A. No. The pension asset is created by accruals to expense accounts on
20 Qwest's books. In this regard the pension asset is one of a triad of significant

1 balance sheet accounts created by expense accruals. The other two
2 accounts in this triad are accumulated depreciation (created by depreciation
3 expense accruals) and accumulated deferred income taxes (created by
4 deferred income tax expense accruals).

5 **Q. HAS THE COMMISSION INCLUDED THE OTHER TWO ELEMENTS OF**
6 **THIS TRIAD IN THE CALCULATION OF RATE BASE IN ARIZONA?**

7 A. Yes. To my knowledge, the Commission has always included accumulated
8 depreciation in the calculation of rate base. Regulated entities began to
9 recognize accumulated deferred taxes (ADIT) in 1970.[64] The Commission
10 began including ADIT in rate base in the mid 1970's.[65]

11 **Q. HAS THE COMMISSION DECLINED TO INCLUDE THE PENSION ASSET**
12 **IN RATE BASE?**

13 A. Yes and no. In Qwest's 1993 rate case the Commission agreed with the
14 Company that pension assets contributed by shareholders should be included
15 in rate base but then denied inclusion of the pension asset in rate base. The
16 Commission concluded the Company had not presented sufficient evidence

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[64] Section 441 of the Tax Reform Act of 1969 enacted a federal law requiring the "normalization method of accounting" as a condition to the use of accelerated methods of depreciation for purposes of computing income taxes applicable to regulated utility plant placed in service after January 1, 1970. Only after the rules requiring the normalization method of accounting went into effect did Mountain Bell (Qwest's predecessor in the 1970's) and all the other Bell Operating Companies begin to compute income taxes using the accelerated methods of depreciation that have created the ADIT balances on Qwest's books today.

[65] *See* Decision No. 43820 (December 6, 1973) pp. 7 and10, and Decision No. 46019 (April 28, 1975) p. 6.

1 to clearly demonstrate that its shareholders had advanced the funds for the
2 pension asset.[66]

3 **Q. WHY IS QWEST ASKING THE COMMISSION TO INCLUDE THE PENSION**
4 **ASSET IN RATE BASE IN THIS DOCKET?**

5 A. In my opinion, the FCC and those regulatory jurisdictions that have concluded
6 inclusion of the pension asset in rate base is appropriate are correct. The
7 reasons offered for excluding it, including the reason upon which the
8 Commission relied in Qwest's 1993 rate case, are not conceptually or legally
9 sound. In as much as several of the current Commissioners have never been
10 allowed to judge the arguments advanced for and against inclusion of the
11 pension asset in rate base, and the question has yet to be presented to the
12 Arizona courts, Qwest believes the issue merits consideration in this docket.

13 **Q. IS IT UNPRECEDENTED FOR THE COMMISSION TO CHANGE ITS**
14 **POSTION REGARDING THE INCLUSION OF AN ITEM IN THE**
15 **CALCULATION OF RATE BASE?**

16 A. No. The Commission has reversed its position on rate base calculations
17 before. In Decision 52849, page 18, Docket E-1051-83-035, December 22,
18 1983, the Commission said:

19 In Decision No. 53761, the Commission, after considerable debate
20 by the parties therein, concluded that interest was not a proper deduction

[66] Docket No. E-1051-93-183, Decision No. 58927 (January 3, 1995) page 5.

> in a lead-lag calculation of cash working capital. Upon further analysis, we are now convinced that Decision No. 53761 was in error in that determination. * * * Accrued but unpaid interest represents a consumer supplied source of cash working capital and should properly be treated as such.

As discussed in my testimony concerning adjustment PFA-04, the Commission has also changed its position regarding the inclusion of short term plant under construction in rate base. These are not the only instances where the Commission has changed its position regarding the inclusion of items of in rate base.

Q. WHAT ARE THE REASONS FOR INCLUDING PENSION ASSET IN RATE BASE?

A. The pension asset is a capital asset. When widely accepted principles of regulatory accounting are uniformly applied and the rule against retroactive ratemaking is observed, there is no question that investors have contributed the capital for the pension asset. The general theory of utility regulation in Arizona is that the total revenue, including income from rates and charges, should be sufficient to meet a utility's operating costs and to give the utility and its stockholders a reasonable rate of return on investment. I am aware of no law or ratemaking principle in Arizona that justifies denying investors a return on the capital that funds the pension asset. There is no sound reason for denying investors a return on the pension asset.

Q. CAN YOU DESCRIBE THE REASONS THAT HAVE BEEN OFFERED FOR EXCLUDING THE PENSION ASSET FROM RATE BASE AND WHY YOU BELIEVE THEY ARE UNSOUND?

A. In Qwest's last rate case the testimony of witnesses for Staff and RUCO put forth several reasons for excluding the pension asset from rate base. I offered rebuttal testimony explaining why I found those reasons unsound. RUCO's witness offered no response to my rebuttal while Staff's witness did. I responded to Staff's witness in rejoinder testimony. I am attaching my pre-filed rebuttal testimony from that case as Exhibit PEG-D7 to this testimony.

Staff's witness argued that the Company could not be allowed to include pension asset in rate base unless the Company showed that ratepayers had benefited from the accrual of pension credits. The argument went as follows:

- The Company improperly relies on its balance sheet accounting records for purposes of determining the amount that is includable in rate base.
- In order to allow the Pension Asset in rate base, the Company bears a burden of demonstrating that cumulative Pension Credits have been flowed through to its ratepayers.
- The Company has not made this demonstration.
- The Company can not make this demonstration because it is not possible to make this demonstration.

My rebuttal and rejoinder testimony explained that the standard for disallowance this witness had proposed was his own contrivance; was (by his own admission) impossible to satisfy; was not used for any other element of

rate base; and was a direct contravention of the accepted rule against retroactive ratemaking.[67] In my opinion, the standard this witness advocated is legally unsound because it attempts to improperly shift the burden of proof for a disallowance to the regulated entity and because the burden of proof he proposed is one that he freely admitted is impossible to satisfy.

Q. IS THIS PROPOSED STANDARD OF DISALLOWANCE CONSISTENT WITH THE POSITION THIS WITNESS' FIRM HAS TAKEN ON ACCRUED EXPENSES?

A. No. In the Company's 1993 rate case a principle from the same firm testified:

> Ratepayers bear virtually all of the costs associated with investment in and use of plant assets including insurance expanse, maintenance expense, capital costs (rate of return), physical consumption and obsolescence (depreciation) and property taxes. In fact, only through the effects of regulatory lag or possible prudence disallowances are shareholders exposed to economic losses.[68]

Depreciation is one of the triad of accrued costs (the others are ADIT and pension expense) that create recorded balances on the balance sheet. Under widely accepted ratemaking principles, the cost of depreciation (which is an accrued expense) is deemed to have been borne by ratepayers and

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[67] In Docket No. U-1345-86-062, Decision No. 55431 (April 1, 1988), page 53, the Commission said: rates must be designed to produce enough revenues to pay current [reasonable] operating expenses and provide a fair return to the utility's investors. If it turns out that, for whatever reason, existing rates have produced too much or too little income, the past is the past. Rates are raised or lowered to reflect current conditions; they are not designed to pay back past excessive profits or recoup past operating losses.

[68] Direct testimony of Michael L. Brosch, page 103, lines 10 through 16, Docket No. E-1051-93-183.

received by shareholders whether or not it actually was.[69] That is why the recorded balance of accumulated depreciation is included in the calculation of rate base without any test to determine whether shareholders actually recovered the recorded depreciation from ratepayers. Under the same principles that deem accrued depreciation expense to be recovered by shareholders whether or not it actually was, accrued pension expense debits are deemed to be borne by ratepayers and received by shareholders and accrued pension expense credits are deemed to deemed to be borne by shareholders and received by ratepayers.

Under widely accepted ratemaking principles, the recorded balances for accumulated deprecation are included in rate base without imposition of any test to prove that shareholders actually recovered the depreciation expense accruals that created the accumulated depreciation balances. There is no rational basis in regulatory accounting or law for asserting that the pension asset should be subject to a recovery test (especially one that is impossible to satisfy) before it too is included in rate base.

[69] Qwest failed to recover all of its depreciation expense from ratepayers in 2001, 2002, and 2003.

Q. DID THE COMMISSION RELY ON THIS WITNESS' PROPOSED STANDARD TO EXCLUDE THE PENSION ASSET FROM RATE BASE IN QWESTS 1993 RATE CASE?

A. Yes. The same witness proposed essentially the same standard in Qwest's 1993 rate case. The Commission relied on this standard when it concluded the Company had not presented sufficient evidence to clearly demonstrate that its shareholders had advanced the funds for the pension asset.[70] I believe the test upon which the Commission relied is incorrect as a matter of law and of regulatory accounting principle.

Q. DO ALL REGULATORY JURISDICTIONS EXCLUDE THE PENSION ASSET FROM RATE BASE?

A. No. The FCC and many state jurisdictions include the pension asset in rate base.[71] None of these jurisdictions rely on the standard for disallowance that Staff proposed in Qwest's last rate case and upon which the Commission relied in Qwest's 1993 rate case. The following schedule summarizes the source of and ratemaking treatment of these three accounts by the FCC and the ACC in Qwest's 1993 rate case:

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[70] Docket No. E-1051-93-183, Decision No. 58927, page 5.
[71] *See* Exhibit PEG-D6: Pages 21 through 26 of Rejoinder testimony of Philip E. Grate in Docket No. T-01051B-99-0105.

Balance Sheet Account	Source of Account	Effect on Rate Base	Rate Making Treatment by FCC	Rate Making Treatment by ACC
Accumulated Depreciation	Depreciation Expense Accruals	Increase	Book balance included in rate base without proof of funding	Book balance included in rate base without proof of funding
Accumulated Deferred Income Taxes	Deferred Income Tax Accruals	Increase	Book balance included in rate base without proof of funding	Book balance included in rate base without proof of funding
Pension Asset	Pension Expense Accruals	Decrease	Book balance included in rate base without proof of funding	Book balance **excluded** because funding cannot be proven

Q. IF THE COMMISSION CONCLUDES THAT THE PENSION ASSET SHOULD BE EXCLUDED FROM RATE BASE, IS ANOTHER ADJUSTMENT NECESSARY?

A. Yes. If the Commission concludes that the pension asset should not be included in rate base, then for ratemaking purposes the pension asset should be returned to investors. The Commission cannot, "without violating the due process and equal protection clauses of the Fourteenth Amendment to the United States constitution, require the company to commit its property to

1 public service without allowing a fair and reasonable reward."[72] If the
2 Commission will not allow a return on the investor supplied capital provided to
3 fund the pension asset, then the Commission should order an immediate
4 return of the pension asset to investors.

5 **Q. WOULD IMMEDIATE RETURN OF CAPITAL BE UNPRECEDENTED IN**
6 **ARIZONA?**

7 A. No. The precedent for an immediate return of capital was established in the
8 Company's 1988 rate case where the Commission ordered Mountain Bell to
9 refund $4.26 million of unprotected excess ADIT by crediting such amount on
10 the customers' next regular bill.[73] Like the balance of the pension asset, the
11 balance of unprotected excess ADIT was created by accounting accruals—
12 debits to expense—over a period of at more than fifteen years. When it
13 became clear that the accrued balances would not be paid to the government
14 because corporate tax rates had been reduced, the Commission ordered the
15 accrued balances to be paid over to ratepayers in one billing cycle.

[72] *Simms v. Round Valley Light and Power Company*, 80 Ariz. 145; 294 P.2d 378; 1956 Ariz. LEXIS 191 (1956)
[73] Docket E-1051-88-034, Decision No. 56099 (June 13, 1988) ¶6 and Order.

Q. DID THE COMMISSION FIRST REQUIRE PROOF THAT THE COMPANY HAD ACTUALLY COLLECTED THE ACCRUED ADIT FROM RATEPAYERS BEFORE REQUIRING THE COMPANY TO REFUND IT?

A. No. The Commission—apparently relying on widely accepted ratemaking principles—treated the excess ADIT as if it had been collected from ratepayers in regulated rates and ordered the Company to refund it without requiring proof that the Company had actually collected it in rates.

Q. ARE YOU RECOMMENDING THAT THE COMMISSION ORDER RATEPAYERS TO RETURN THE PENSION ASSET TO INVESTORS IN ONE BILLING CYCLE?

A. No. I am recommending the Commission include the pension asset in rate base. However, if the Commission disagrees with my recommendation, then it would become necessary to return the pension asset to investors and it would not be unprecedented to return it immediately, just as the unprotected excess ADIT was in 1988. However, I believe a more practical approach would be to amortize the pension asset to expense for regulatory accounting and ratemaking purposes. Accordingly, if the Commission concludes that the pension asset should be excluded from rate base, then it should order the pension asset returned to investors by amortizing it to expense over a period of no more than three years. In my opinion, investors should not be expected to supply capital without compensation for a period any longer than this.

1 **Q. WOULD A THREE YEAR AMORTIZATION OF THE PENSION ASSET**
2 **VIRTUALLY GUARANTEE THAT INVESTORS RECEIVE THE FULL**
3 **VALUE OF THE PENSION ASSET?**
4 A. No. The amortization of the pension asset would be an accounting entry, not
5 a surcharge on customers' bills. The amortization would be a series of debits
6 to expense that would, over the course of three years, reverse the earlier
7 credits to expense that created the pension asset. The recording of these
8 debits and the recognition of these debits in the test year would provide no
9 assurance of recovery; the establishment of rates under cost of service
10 regulation never provides assurance of recovery, only the opportunity for it.[74]
11 As can be seen from the summary of the results of operations for the test
12 year and for the two fiscal years ended prior to the end of the test year on
13 Schedule A-2, the opportunity for recovery does not necessarily yield the
14 recovery expected.

15 **Q. HAVE YOU CALCULATED AN ADJUSTMENT FOR THE AMORTIZATION**
16 **OF THE PENSION ASSET OVER THREE YEARS?**
17 A. Yes. I have calculated an alternative pro forma adjustment to the test year
18 that amortizes the pension asset over three years. It appears in Exhibit
19 PEG-D8 to this testimony. If the Commission rejects adjustment PFR-05,
20 then the Commission should adopt this adjustment.

[74] *See* Docket No. U-1345-86-062, Decision No. 55431 (April 1, 1988) page 53.

1 ***PFR-06, 1991 Merger Costs***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-06.**

3 A. Adjustment PFR-06 is a ratemaking adjustment. It removes the test year
4 costs of the 1991 merger of the three operating companies owned by U S
5 WEST—Mountain States Telephone and Telegraph, Pacific Northwest Bell
6 and Northwestern Bell.

7 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

8 A. The Commission's decision approving the merger of U S WEST's three
9 operating companies ordered the Company to exclude from its calculation of
10 the revenue requirement for Arizona regulated operations the capitalized or
11 expensed direct costs of the merger.[75] The costs of the January 1, 1991
12 merger are still being amortized to expense. The adjustment is necessary to
13 remove the amortization expense for the 1991 merger recorded to the 2003
14 test period.

[75] A.C.C. Docket No E10-1051-89-311, Decision No. 57080 (September 19, 1990) p. 7.

1 ***PFR-07, Charitable Contributions***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-07.**

3 A. Adjustment PFR-07 is a ratemaking adjustment. It removes charitable
4 contributions from operating expense.

5 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

6 A. Ordinarily, charitable contributions are recorded to account 7370, Special
7 Charges, in accordance with the FCC's accounting rules (CFR Title 47, Part
8 32). This account is part of the 7300 series of accounts that are non-
9 operating income and expense accounts. The 7300 series of accounts are so
10 called "below-the-line" accounts because they are not included in regulated
11 results of operations and are not included in the computation of revenue
12 requirement.

13 However, included in the headquarters billing Qwest receives from its parent
14 corporation is an amount for charitable contributions made by the parent
15 corporation. During the test year, this portion of the headquarters billing was
16 recorded to account 6722, External Relations expense which is an "above-
17 the-line" account included in the calculation of regulated results of operations.
18 Adjustment PFR-07 removes these expenses so that, in effect, they are
19 treated as if they were recorded below-the-line.

1 ***PFR-08, Customer Deposits***

2 **Q. PLEASE DESCRIBE ADJUSTMENT PFR-08.**

3 A. Adjustment PFR-08 is a ratemaking adjustment. It treats customer deposits
4 as 100% intrastate, treats them as cost free capital for purposes of
5 determining rate base and brings the associated interest paid on them into
6 regulated operating results.

7 **Q. WHY IS THIS ADJUSTMENT NECESSARY?**

8 A. In my opinion, this adjustment is not necessary or appropriate. However, in
9 the Company's 1984 rate case Staff recommended and the Commission
10 accepted this adjustment.[76] I have chosen to include this adjustment in order
11 to help reduce the number of issues that may be contested in this case.

[76] A.C.C. Docket No E-1051-84-100, Decision No. 54843, pp. 14, 17, 18, and 26

PRO FORMA ADJUSTMENTS NOT MADE

Q. ARE THERE PRO FORMA ADJUSTMENTS THAT THE COMMISSION ORDERED IN PRIOR COMPANY RATE CASES THAT ARE NOT INCLUDED IN THIS RULE 103 FILNG?

A. Yes. This Rule 103 filing includes no adjustments for:

1. inclusion of Bellcore investment in rate base;
2. disallowance of any affiliated interests expenses;
3. disallowance of retired employee telephone service concessions;
4. imputation of revenues to services the FCC does not regulate and
5. disallowance of image advertising expense.

Q. WHY ARE YOU MAKING NO ADJUSTMENT TO INCLUDE BELLCORE IN RATE BASE?

A. The Company sold its interest in Bellcore in 1997.

Q. WHY ARE YOU MAKING NO ADJUSTMENT FOR AFFILIATED INTERESTS DISALLOWANCES?

A. Attached as Exhibit PEG-D9 is a copy of Qwest's Chart of Corporate Affiliates' as of December 31, 2003. Exhibit PEG-D10 is a copy of a three page schedule showing U S WEST and its subsidiaries as of September 30, 1999. As can be seen from a comparison of affiliated interests on September 30, 1999 and December 31, 2003, Qwest's affiliated interests at

1 the end of the test year are significantly different from 1999's affiliated
2 interests. The affiliate structure of 1999 was substantially different from the
3 affiliate structure that existing during the test year ended March 31, 1993 in
4 the Company's last fully litigated rate case.[77]

5 Any disallowance of affiliated interests must be based on the particular facts
6 of currently existing affiliated interests. The current affiliated interests are
7 significantly different from those that existed when Qwest last fully litigated a
8 rate case in Arizona. Therefore, no attempt was made to carry over
9 disallowances based on the affiliated interests that existed in a test year from
10 more than ten years ago.

11 **Q. WHY ARE YOU MAKING NO ADJUSTMENT TO EXCLUDE RETIRED**
12 **EMPLOYEE SERVICE CONCESSIONS?**

13 A. Qwest believes that providing retired employees concessions on their
14 telephone service is an appropriate and reasonable post-retirement benefit for
15 a telephone company to provide. It is not distinguishable in any meaningful
16 way from other forms of post-retirement benefits such as post-retirement
17 medical care and post-retirement life insurance. Unless another party comes
18 forward with clear and convincing evidence that the level of post-retirement
19 benefits Qwest provides its retirees is unreasonable, there is no justification
20 for disallowing the cost of this benefit.

[77] A.C.C. Docket No. E-1051-93-183, Decision No. 58927 (January 3, 1995).

1 **Q. WHY ARE YOU MAKING NO ADJUSTMENT TO IMPUTE REVENUES TO**
2 **FCC DEREGULATED SERVICES?**
3 A. In Qwest's 1993 rate case, Staff proposed an adjustment to impute revenues
4 to certain services. The services were inside wire, account recording, voice
5 messaging, and alarm services. The FCC had deregulated them and had
6 ordered them excluded from the interstate jurisdiction. In the 1993 rate case
7 the services were regulated by the Commission, but because they were
8 competitive, they were offered under flexible tariffs or were detariffed.

9 The Commission adopted 50% of Staff's proposed adjustment.[78] Noting that
10 both the Company and Staff had recommended a separate proceeding to
11 further investigate how to handle services deregulated by the FCC, the
12 Commission's January, 1995 Decision said, "we will order such an
13 investigation to be part of the current generic investigation into competition in
14 telecommunications services (Docket No. U-000-93-259)."[79]

15 More than nine years later, these services remain competitive and remain
16 regulated in Arizona, as do all services except pay phones. Clearly, the
17 Commission could have deregulated these services had it chosen to.
18 Because these services continue to be regulated in Arizona, the revenues
19 and expenses from them must be included in the calculation of revenue

[78] A.C.C. Docket No. E-1051-93-183, Decision No. 58927 (January 3, 1995) p. 22.
[79] *Id.* p. 21.

requirement. And because the Commission has chosen not to deregulate them, no imputation of revenues to them is appropriate absent clear and convincing evidence rebutting the presumption that Qwest's provision of this service is reasonable, not dishonest and not obviously wasteful.

In this regard, the party proposing imputation of revenues or disallowance of costs would be obligated to apply the same test for reasonableness that applies to services in Basket 1. If, for instance, rates for some basic/essential non-competitive services in Basket 1 under the price cap plan fail to provide recovery of their fully distributed costs, a party would not be able to rebut the presumption that Qwest's provision of these services is reasonable by asserting that these FCC deregulated services failed to recover their fully distributed costs. If the Commission allows services in Basket 1 to be priced below their fully distributed cost, no one can be heard to argue that Qwest management is acting unreasonably by also pricing services that have long been subject to competition below their fully distributed cost.

Q. WHY ARE YOU MAKING NO ADJUSTMENT TO EXCLUDE IMAGE ADVERTISING?

A. Qwest believes that the costs it incurs for advertising, including image advertising are appropriate in the competitive marketplace in which it operates in Arizona. The testimony of David L. Teitzel details the breadth and

depth of competition Qwest faces in Arizona. Unless another party comes forward with clear and convincing evidence that the cost of Qwest's image advertising is not a reasonable expenditure under current market conditions or is dishonest or obviously wasteful, it should not be disallowed.

FAIR VALUE RATE BASE VALUATION

Q. IS QWEST'S REVENUE REQUIREMENT CALCULATED ON ITS FAIR VALUE RATE BASE?

A. Yes. Qwest's revenue requirement using its fair value rate base is shown on Rule 103 schedule A-1, column B. The calculation of Qwest's fair value rate base can be found on Rule 103 schedules B-1, B-2, B-3, B-4, and B-5 and the exhibits to the testimony of Nancy Heller Hughes.

Q. WHY IS IT NECESSARY TO CALCULATE REVENUE REQUIREMENT USING THE FAIR VALUE OF QWEST'S RATE BASE?

A. The Arizona Constitution requires the Commission to ascertain the fair value of Qwest's properties devoted to the provision of telephone service in Arizona and to prescribe just and reasonable rates and charges which are designed to provide the Company Bell with the opportunity to achieve a fair rate of return thereon.[80]

Q. HOW DID QWEST COMPUTE ITS FAIR VALUE RATE BASE?

A. Qwest computed its fair value rate base in accordance with the Commission's longstanding practice of computing fair value by equally weighting the value of telephone plant determined under the Reproduction Cost New Less Depreciation (RCND) method and the Original Cost Less Depreciation

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[80] *See* A.C.C. Docket No. 9981-E-1051-80-64, Decision No. 52055 (April 16, 1981) page 6; A.C.C. Docket No. 9981-E-1051-81-406, Decision No. 53040 (May 21, 1982) page 4.

1 (OCLD) method.[81] Accordingly, the computation of Qwest's fair value rate
2 base reflects a valuation based on 50% RCND and 50% OCLD. All other
3 elements of the fair value rate base are the same as for the original cost rate
4 base.

5 **Q. HOW WAS THE RCND VALUATION DETERMINED?**

6 A. The RCND valuation was developed by Nancy Heller Hughes of the
7 engineering firm of R. W. Beck. Her testimony explains how she performed
8 the RCND study. All other elements of the fair value rate base are the same
9 as for the original cost rate base.

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes.

[81] *See* A.C.C. Decision No. 52055 (April 22, 1981) p. 10; Decision No. 58927, p. 10 (January 3, 1995).

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF QWEST CORPORATION'S FILING AMENDED RENEWED PRICE REGULATION PLAN	DOCKET NO. T-01051B-03-0454
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS	DOCKET NO. T-00000D-00-0672

DIRECT TESTIMONY

EXHIBITS

OF

PHILIP E. GRATE

QWEST CORPORATION

MAY 20, 2004

INDEX OF EXHIBITS

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Comparative Analysis of Three Methods of Accounting for Financing Costs of Telephone Plant Under Construction	PEG-D4
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PHILIP E. GRATE: CURRICULUM VITAE

BUSINESS ADDRESS

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Seattle, Washington 98191

Phone: (206) 345-6224
Fax: (206) 346-9001
pgrate@qwest.com

LICENSURE

Mr. Grate has held license as a Certified Public Accountant in Washington but is now inactive and is an inactive member of the Washington State Bar.

EDUCATION

Mr. Grate earned a Bachelor of Science Degree in Business Administration with a concentration in Accounting from Indiana University, Bloomington. Mr. Grate also earned a Juris Doctorate from Indiana University, Bloomington.

EMPLOYMENT

From 1982 to 1984, Mr. Grate was a senior tax consultant for Touche Ross, a Certified Public Accounting firm that subsequently became part of Deloitte & Touche.

In 1984, Mr. Grate became a manager of tax research for Pacific Northwest Bell Telephone Company, Inc. In 1987, Mr. Grate became the Tax Attorney for Pacific Northwest Bell, Northwestern Bell, and Mountain Bell, the predecessors of U S WEST Communications, Inc. Mr. Grate's staff and he were responsible for advising U S WEST Communications, Inc. on matters related to tax planning and compliance and for representing the company before regulatory commissions on tax related matters. In 1990, Mr. Grate accepted a position as Director of Accounting Standards for U S WEST Communications, Inc. His staff and he were responsible for U S WEST Communication's compliance with Generally Accepted Accounting Principles (GAAP) and the accounting rules promulgated by the Federal Communications Commission (FCC) including Parts 32 and 64 of Title 47 of the Code of Federal Regulations. In 1995, Mr. Grate became Director – State Finance, where he serves as the company's

representative to state regulatory agencies in accounting and finance matters and as an expert witness in proceedings before state regulatory agencies.

TESTIMONIES

Mr. Grate has testified on the following topics in the following proceedings:

Regulatory Accounting

Iowa Department of Commerce - Utility Division in Docket No. RPU-93-9

Cost of Service Revenue Requirement

Utah Public Service Commission Docket No. 95-049-05
Utah Public Service Commission Docket No. 97-049-08
Washington Public Service Commission Docket No. UT-970766
New Mexico Public Regulation Commission Utility Case No. 3008
Arizona Corporation Commission Docket No. T-1051B-99-105

Depreciation

Utah Public Service Commission Docket No. 95-049-22

Federal Income Taxation in Cost of Service

Utah Public Service Commission Docket No. 88-049-07

Merger of U S WEST, Inc. and Qwest Communications International Inc.

Utah Public Service Commission Docket No. 99-049-05
Arizona Corporation Commission Docket No. T-01051B-99-0497

Sale of Yellow Pages Publishing Business

Arizona Corporation Commission Docket No. T-01051B-03-0405
Utah Public Service Commission Docket No. 02-049-76
Washington Utilities and Transportation Commission Docket No. UT-021120

Sale of Telephone Exchanges

Idaho Public Utilities Commission Case Nos. USW T-99-25 and CTC T-99-2
Utah Public Service Commission Docket No. 99-049-65

Productivity Factor under Price Cap Regulation

Utah Public Service Commission Docket No. 99-049-78

Qwest Arizona 2003 Test Year Adjustments to Revenue Requirement

Line		Dollars in Thousands	
	Accounting Adjustments		
1	PFA-01 Depreciation	(99,921)	
2	PFA-02 Post Employment Benefits Other Than Pensions	44,512	
3	PFA-03 SOP98 Adoption	(12,736)	
4	PFA-04 Plant Under Construction	3,680	
5	**Total Accounting Adjustments**		**(64,465)**
	Normalizing Adjustments		
6	PFN-01 Out of Period Revenue and Expense	(12,690)	
7	PFN-02 In-Test-Year Rate Changes	7,237	
8	PFN-03 Operating Income Annualization	45,785	
9	PFN-04 Post-Test-Year Rate Changes	18,767	
10	PFN-05 Wage and Salary Rates	210	
11	PFN-06 Headquarters Factors Update	(4,426)	
12	PFN-07 Rent Compensation Update	(2,385)	
13	PFN-08 Incentive Compensation True-Up	(1,175)	
14	PFN-09 Call Centers	(4,647)	
15	PFN-10 Property Tax Update	1,493	
16	PFN-11 Depreciation Synchronization	5,466	
17	**Total Normalizing Adjustments**		**53,634**
	Ratemaking Adjustments		
18	PFR-01 Directory Revenue Imputation	(73,836)	
19	PFR-02 Fines and Penalties	(1,398)	
20	PFR-03 Interest Synchronization	(18,487)	
21	PFR-04 Cash Working Capital	(6,070)	
22	PFR-05 Pension Asset	18,373	
23	PFR-06 Remove 1991 Merger Cost	(4)	
24	PFR-07 Charitable Contributions	(999)	
25	PFR-08 Customer Deposits	129	
26	**Total Ratemaking Adjustments**		**(82,291)**
27	**Total Adjustments**		(93,122)

10 FCC Rcd 2211, *; 1995 FCC LEXIS 1337, **;
77 Rad. Reg. 2d (P & F) 374

In the Matter of The Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC)

CC Docket No. 93-50

FEDERAL COMMUNICATIONS COMMISSION

10 FCC Rcd 2211; 1995 FCC LEXIS 1337; 77 Rad. Reg. 2d (P & F) 374

RELEASE-NUMBER: FCC 95-56

February 28, 1995 Released; Adopted February 13, 1995

ACTION: [1]** REPORT AND ORDER

JUDGES:

By the Commission

OPINION:

[*2211] I. INTRODUCTION

1. On March 22, 1993, the Commission released a Notice of Proposed Rulemaking n1 ("the Notice"), proposing changes to Part 32, n2 Uniform System of Accounts ("USOA") for Telecommunications Companies, and Part 65, n3 Interstate Rate of Return Prescription Procedures and Methodologies, of our Rules with respect to the proper accounting and ratemaking treatment for Telephone Plant Under Construction ("TPUC") and Allowance for Funds Used During Construction ("AFUDC"). Specifically, we proposed to amend Part 32 to require carriers to capitalize AFUDC for TPUC using a capitalization rate based on average cost of debt. We also proposed to amend Part 65 to allow carriers to include the interstate portion of the TPUC balances in the interstate rate base and to reduce their interstate revenue requirement by the amount of AFUDC capitalized in the current year. Twelve parties filed comments, and five filed reply comments. n4 This Order amends Parts 32 and 65 of our Rules to adopt the changes as proposed in the Notice. n5 These changes will become effective six months after a summary of this Order is published in the Federal Register. **[**2]**

n1 *Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC), Notice of Proposed Rulemaking, CC Docket No. 93-50, 8 FCC Rcd 2084 (1993).*

n2 47 C.F.R. Part 32.

n3 47 C.F.R. Part 65.

n4 Parties that filed comments and reply comments are listed in Appendix A.

n5 We also amend Part 36 to conform with the Part 32 and 65 rules changes adopted in this Order.

II. BACKGROUND

2. Our accounting rules for telephone companies require all costs associated with acquiring and readying an asset for its intended use to be capitalized as part of the asset's cost. n6 The interest expense accrued during the period in

which the asset is being readied for service, which is commonly referred to as AFUDC, is one of these costs. Parts 32 and 65 of our rules specify the accounting and interstate regulatory treatment for AFUDC. In addition, in Docket No. 19129, the Commission required AT&T and the Bell System to use the prime rate in calculating AFUDC for interstate ratemaking purposes. n7

n6 Section 32.2000(c) of our Rules, 47 C.F.R. § 32.2000(c), requires the telephone company to charge to the telecommunications plant accounts, where applicable, all direct and indirect costs in accounting for construction costs.

n7 *American Telephone and Telegraph Co., Docket No. 19129, Phase II Final Decision and Order, 64 FCC 2d 1, 59-60 (1977)* (19129 Phase II Final Decision and Order). The prime rate is defined as the lowest rate of interest charged by a lender to its best customers for short-term unsecured loans. The Commission specified in Docket No. 19129 that interest during construction be computed at a compounded annual rate that is based on a 13-month average of the prime rate. **[**3]**

3. The Commission has recognized three ways to compensate carriers for their investments in assets during the period in which they are being readied for service:

Capitalization Method. Under this method, TPUC is excluded from the rate base during the construction period, but carriers are allowed to capitalize the interest costs, i.e., AFUDC, during that same time period. When plant is placed into service, the cost of construction, including capitalized AFUDC, is transferred from TPUC accounts to plant in service accounts and included in the rate base. Carriers are permitted to earn a return on the investment in the new plant, including the capitalized interest amount, and the cost of that investment is recovered through depreciation charges over the useful life of the plant.

Rate Base Method. Under this method, TPUC is included in the rate base during the construction period, and interest is treated as an expense during the same time period.

Revenue Requirement Offset Method. Under this method, TPUC is included in the rate base during the construction period and AFUDC is recognized as part of that cost of construction. To prevent double recovery, AFUDC for the current period **[**4]** is treated as a revenue amount for ratemaking purposes. For cost of service companies this credit reduces the carrier's revenue requirement. n8

n8 The revenue requirement offset method was adopted in *American Telephone and Telegraph Co., Docket No. 19129, Interim Decision and Order, 9 FCC 2d 30, 41-42,* recon., *9 FCC 2d 960, 971-972 (1967);* and the capitalization and rate base methods were adopted in *Phase II Final Decision and Order, 64 FCC 2d at 59.*

4. In 1967, in Docket No. 16258, the Commission required AT&T and the Bell System Companies to use the revenue requirement offset method for interstate ratemaking. n9 In 1977, in Docket No. 19129, the Commission concluded that because long-term construction projects (i.e., projects under construction for one year or longer) generally benefit only future ratepayers, the costs of such projects should not be recovered from current **[*2212]** ratepayers. To implement this policy, the Commission specified the use of the capitalization method to recover the costs incurred in connection with long-term construction projects. At the same time, the Commission **[**5]** directed carriers to compute interest at the prime rate in determining AFUDC. For short-term construction projects (i.e., projects under construction for less than one year), the Commission decided that it was not necessary to distinguish between current and future ratepayers. Accordingly, the Commission specified the rate base method for short-term construction. n10 The procedures adopted in Docket No. 19129 for Bell System ratemaking are still in effect today. In 1978, the Commission amended the USOA to accommodate the Docket No. 19129 ratemaking decisions by creating separate accounts for short- and long-term construction projects. n11

n9 *American Telephone and Telegraph Co., Interim Decision amd Order, 9 FCC 2d at 41-42,* recon., *9 FCC 2d at 971-972.*

n10 *American Telephone and Telegraph Co., Phase II Final Decision and Order, 64 FCC 2d at 59.*

n11 *Amendment of Part 31, Uniform System of Accounts for Class A and Class B Telephone Companies, Report and Order, 68 FCC 2d 902 (1978)* (Amendment of Part 31). The USOA in Part 31 was replaced by the USOA in Part 32 effective January 1, 1988. The current regulations are contained in 47 C.F.R. § 32.2003 (Telecommunications plant under construction-short-term) and 47 C.F.R. § 32.2004 (Telecommunications plant under construction-long-term). **[**6]**

5. In 1985 the Commission revisited the accounting for AFUDC in Docket No. 84-469. n12 In that proceeding, the Commission articulated that the USOA should incorporate Generally Accepted Accounting Principles ("GAAP") n13 to the extent that GAAP is consistent with the Commission's regulatory needs. In implementing that policy, however, the Commission rejected the GAAP standard for the rate at which AFUDC is capitalized. That standard essentially requires the accrual of AFUDC at a rate based on the carrier's actual cost of debt. n14 The Commission decided that it was not necessary to require consistency with GAAP in this case because it concluded that the practical difference between the prime lending rate and the carriers' actual cost of debt would be very minor. n15

n12 *Revision of the Uniform System of Accounts for Telephone Companies to Accommodate Generally Accepted Accounting Principles (Parts 31, 33, 42, and 43 of the FCC's Rules), Report and Order, 102 FCC 2d 964, 976-78, 989 (1985).*

n13 Briefly stated, GAAP is a common set of accounting concepts, standards, procedures and conventions that are recognized by the accounting profession as a whole and upon which most nonregulated enterprises base their external financial statements and reports.

n14 Statement of Financial Accounting Standards No. 34, Capitalization of Interest Cost, states:

If an enterprise's financing plans associate a specific new borrowing with a qualifying asset, the enterprise may use the rate on that borrowing. . . . If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the asset, the capitalization rate to be applied to such excess shall be a weighted average of the rate applicable to other borrowings of the enterprise.

Under GAAP, an enterprise's current accrual for AFUDC cannot exceed the total amount of interest cost it incurs in the period.

n15 *Amendment of Part 65 of the Commission's Rules to Prescribe Components of the Rate Base and Net Income of Dominant Carriers, Report and Order, 3 FCC Rcd 269 (1987),* recon., *4 FCC Rcd 1697 (1989)* (Rate Base Reconsideration Order), remanded on other grounds sub nom., *Illinois Bell Tel. Co. v. FCC, 911 F.2d 776 (D.C. Cir. 1990)* (Illinois Bell I), *Decision on Remand, 7 FCC Rcd 296 (1991),* aff'd sub nom., *Illinois Bell Tel. Co. v. FCC, 988 F. 2d 1254 (D.C. Cir. 1993)* (Illinois Bell II). Thereafter, BellSouth and Southwestern Bell raised the AFUDC issue in petitions for reconsideration in the rate base proceeding, Docket No. 86-497. They objected to the use of the prime rate for accruing AFUDC. The Commission declined to address the matter on the merits at that time because the issue was beyond the scope of that proceeding. Illinois Bell appealed, but the D.C. Circuit held that the Commission was on solid ground in refusing to expand the scope of its proceeding and advised Illinois Bell that it should petition to the Commission in the usual manner if it wanted the treatment of AFUDC to be changed. See *Rate Base Reconsideration Order, 4 FCC Rcd 1697 at 1703.* [**7]

6. On January 11, 1991, Ameritech filed a Petition for Rulemaking requesting that the Commission use the prescribed interstate rate of return, instead of the prime rate, to compute AFUDC. A Public Notice soliciting comments on the petition was issued on February, 15, 1991. In reviewing the comments, the Commission determined that accounting and regulatory changes may be necessary for AFUDC. It also concluded that complementary changes in the

Commission's treatment of assets during the period in which AFUDC is accrued may also be necessary. Accordingly, the Commission subsequently issued the Notice in which it proposed revisions to its current treatment of TPUC and AFUDC.

III. COMMENTS AND DISCUSSION

A. Methods

1. Proposal

7. In the Notice, we proposed the revenue requirement offset method for both short- and long-term construction projects because we believed that this method would allow us to adopt accounting that is both consistent with GAAP and fair and reasonable for ratemaking purposes. Of the thirteen commenting parties, three support the proposal, n16 and ten oppose it in varying degrees. n17

n16 Ameritech Comments at 1; NYNEX Comments at 2-3; SWBT Comments at 3.

n17 SNET Comments at 2; Wisconsin PSC Comments at 2-6; Missouri PSC Comments at 2; Bell Atlantic Comments at 1; BellSouth Comments at 1; NTCA Comments at 2; MCI Comments at 1; Florida PSC Comments at 2; NECA Comments at 2; U S West Reply Comments at 2. **[**8]**

2. Comments

8. The Florida PSC and BellSouth state that full adoption of GAAP standards for AFUDC capitalization would be preferable to the current rules. These commenters argue, however, that the revenue requirement offset method is inappropriate for today's telecommunications industry because they believe AFUDC capitalization amounts have little impact for accounting and ratemaking purposes. n18 U S West supports this position. n19 The Florida PSC also argues that the revenue requirement offset method might encourage **[*2213]** companies to delay the transfer of plant ready for use from the TPUC account to the plant in service account. n20 MCI argues that the Commission should continue to employ the capitalization method for long-term TPUC and should adopt it for short-term TPUC as well. MCI argues that this policy would prevent ratepayers from being charged for any investment until it is considered used and useful. The Missouri PSC opposes reliance on GAAP for AFUDC purposes because it believes that wholesale adoption of GAAP as the basis for setting rates may impose an inequitable share of the cost recovery burden on current ratepayers rather than future ratepayers. n21 **[**9]** SWBT, Ameritech, and NYNEX support the revenue requirement offset method. SWBT argues that this method permits the regulated entity to earn a fair rate of return on its investment by including TPUC in rate base. It states that a company incurs debt costs for both short- and long-term construction projects and that it is appropriate to capitalize these costs. n22 Ameritech contends that over 90 percent of its long-term construction projects are completed in less than two years. As a result, at any given time, current ratepayers are very likely to benefit from construction projects when the plant is placed into service. n23 NYNEX asserts that the proposal properly balances the interests of carriers and ratepayers. n24

n18 Florida PSC Comments at 2; BellSouth Comments at 3.

n19 U S West Reply Comments at 2.

n20 Florida PSC Comments at 2.

n21 Missouri PSC Comments at 2 and 3.

n22 SWBT Reply Comments at 3.

n23 Ameritech Reply Comments at 2.

n24 NYNEX Comments at 3.

9. Bell Atlantic asserts that capitalizing AFUDC on short-term construction projects would increase the risk of recovering that capital. Bell Atlantic argues that, as the interest costs are capitalized, its **[**10]** recovery is deferred and spread over time, and the carriers might not be able to recover their total investment because of increasing competition and rapid technological changes. Bell Atlantic maintains that this would frustrate our price cap productivity incentives. n25 NECA states that it does not oppose adoption of our proposal. NECA, however, is concerned that smaller exchange carriers may incur additional bookkeeping expenses to capitalize interest expenses and may initially experience reduced settlements under the revenue requirement offset method. NECA asks the Commission to allow small carriers to continue using the rate base method for all construction where the amounts are not material in comparison to the additional burden. n26 NTCA supports NECA's proposal and states that our AFUDC proposal would also require carriers to keep additional records related to tax timing differences associated with the interest expense. NTCA states that we should allow carriers to capitalize AFUDC but not require it if the financial reporting effect is immaterial. n27

n25 Bell Atlantic Comments at 2-3.

n26 NECA Comments at 2.

n27 NTCA Reply Comments at 2-3.

3. Discussion

10. We **[**11]** believe that the revenue requirement offset method is the best approach for several reasons. Consistent with the policy established in Docket No. 84-469, this method would incorporate into our accounting rules the methodology for treating AFUDC endorsed by GAAP for both short-term and long-term construction projects. Further, the revenue requirement offset method would give the carriers an incentive to invest in new plant because both short- and long-term plant under construction and the capitalized AFUDC would be included in rate base and, as a result, carriers would be allowed to earn a rate of return on the total investment. Moreover, under the revenue requirement offset method the amount of AFUDC capitalized is included both in the rate base and in current income for ratemaking purposes. This has the effect of mitigating the increase in the revenue requirement that results from including all TPUC in the rate base. In sum, because other methods lack these advantages, we believe that the interstate ratemaking treatment of interest expense during construction under the revenue requirement offset method is superior to the alternatives.

11. Adoption of the revenue requirement **[**12]** offset method will enable us to assure that carriers have an opportunity to earn the authorized rate of return on the interstate portion of all investments they make in the telephone network, while reducing the amount recovered from ratepayers for assets under construction during the period in which they are under construction. Under this approach, carriers will have an opportunity to earn a return of and on all of their investments in telephone plant, both in service and under construction, because we will allow the inclusion of all interstate TPUC and telephone plant in service in the rate base. To the extent the carrier's earned interstate rate of return exceeds its average cost of debt, the carrier will receive a return on TPUC investment during the current period, subject to applicable Commission sharing requirements and limitations on earnings in excess of the authorized rate of return. When the plant goes into service, the carrier will begin to recover, through rates charged to its customers, the entire investment, including the capitalized AFUDC, in the form of depreciation expense. This recovery will continue until the plant is fully depreciated. In addition, because **[**13]** of the revenue offset, interstate ratepayers will pay very little for any new plant until the plant is placed in service. Finally, using the average cost of debt to calculate AFUDC is consistent with GAAP.

12. We disagree with the assertion of the Florida PSC, BellSouth, and U S West that this method should not be used because AFUDC accruals are immaterial. AFUDC accruals are, in fact, substantial. In 1992, for example, AFUDC accruals for LECs that reported accounting data to the Commission totaled nearly $ 100 million, or approximately 0.7 percent of their total reported return. n28 Furthermore, in 1992 carriers only accrued AFUDC on long-term construction projects, while our new rules would require AFUDC to be accrued on both short- and long-term

construction projects. Since typically LECs have three times as much invested in short-term as long-term construction projects, n29 we would expect AFUDC accruals under our proposal to amount to nearly $ 400 million or approximately 3 percent of their total return. In addition, we disagree with the Florida PSC's argument that the revenue requirement offset method may encourage companies to **[*2214]** delay the transfer of plant from **[**14]** the TPUC account to plant in service accounts. On the contrary, the revenue requirement offset method gives carriers the incentive to transfer plant from construction into service as promptly as possible to avoid AFUDC revenue requirement offsets.

n28 Statistics of Communications Common Carriers 1992/1993 Edition, Table 2.9 (FCC 1993).

n29 Id.

13. We disagree with MCI that both short- and long-term TPUC should be excluded from the rate base to prevent current ratepayers from being overcharged. Contrary to MCI's argument, the revenue requirement offset method effectively limits the amount that current ratepayers pay for assets prior to their placement into service. Under the current rules, the largest of the TPUC accounts, short-term TPUC, is included in the interstate rate base and carriers are allowed to earn the authorized rate of return on this amount without any revenue offset. The revenue requirement offset procedure will allow both long-term and short-term TPUC to be included in the rate base, but it will also require the use of the revenue offset for the total current year AFUDC. We acknowledge that in our new policy with regard to all TPUC, as in our prior policy **[**15]** with regard to short-term TPUC, we depart from the used and useful standard by allowing carriers to place plant in the rate base prior to its being placed in service. We believe, however, that this limited additional departure from the used and useful standard will not harm the ratepayers because for carriers as a group during each of the first few years, the revenue offset will exceed the additional revenue requirement associated with the inclusion of long-term TPUC in the rate base. The ratepayers receive the benefits of reduced rates in the initial years of implementation. In future years, the increased return and depreciation expense resulting from the inclusion of plant under construction in the rate base could exceed the amount of interest capitalized. Then the total revenue requirement for carriers as a group would exceed the level that would occur under our present requirements. Although excluding all TPUC from the rate base, as MCI suggests, would avoid this effect, we believe that such an exclusion would be unfair to carriers and that the method we are adopting best balances ratepayer and carrier interests.

14. We agree with the Missouri PSC that we should not "blindly" **[**16]** rely on GAAP if those accounting rules will have adverse regulatory consequences. We have determined in this instance, however, that the revenue requirement offset method of accounting for AFUDC provides adequate ratepayer protection and is consistent with GAAP.

15. We are not persuaded by Bell Atlantic's argument that capitalizing AFUDC on short-term construction projects would increase the risk of recovering its investment. Bell Atlantic has not quantified the amount of increased risk, nor has it provided any evidence to support its statement. Moreover, GAAP requires nonregulated companies to capitalize AFUDC on their short-term construction projects. The method for treating AFUDC adopted in this Order simply puts carriers on equal footing with nonregulated companies. In addition, we believe that our overall approach is fairer to carriers than our prior method. That is, we have changed the AFUDC rate from the prime rate to the carriers' actual cost of debt and will allow carriers to earn the authorized rate of return on their investment for the entire period for which the capital has been invested. n30

n30 See discussion in Section III.B.

16. We do not agree with **[**17]** NECA and NTCA that our proposal will add to the record-keeping burden of carriers. On the contrary, eliminating the accounting distinction between short- and long-term construction projects should reduce the overall record-keeping burden. No longer will carriers have to identify construction projects by the timing of their completion and only accrue AFUDC on specific projects. We also do not agree with NTCA's claims that our rules should be flexible to allow small carriers to use the current rate base method for all construction when the amounts are not material and that our rules should not require carriers to capitalize AFUDC if the effect is immaterial.

Allowing carriers such flexibility would result in differences in AFUDC treatment among carriers. We believe that it is important to maintain consistency and uniformity among the carriers' books of accounts so that we can readily compare their regulatory operating results.

B. Capitalization Rate

1. Proposal

17. In Docket No. 19129, the Commission required AT&T and the Bell System to calculate AFUDC for interstate ratemaking purposes by applying the prime rate to the appropriate TPUC balance. n31 Our Part 32 rules, however, **[**18]** do not specify a capitalization rate to be used for accounting purposes. In the Notice, we proposed to require carriers to use their actual cost of debt to compute AFUDC for both accounting and interstate regulatory purposes.

n31 *Docket No. 19129 Phase II Order, 64 FCC 2d at 59.*

2. Comments

18. The Wisconsin PSC suggests that we use the weighted average cost of capital, rather than the average cost of debt, as the AFUDC capitalization rate. n32 It argues that this approach would prevent the shifting of costs associated with future services to current ratepayers. n33 MCI argues that the Commission should retain the prime rate as the AFUDC capitalization rate because it would encourage timely completion of construction projects. n34 SWBT argues that generally the prime rate is lower than the carriers' average costs of debt, and, therefore, use of the prime rate would not compensate carriers adequately for the cost of new investments. n35

n32 Wisconsin PSC Comments at 3. Wisconsin PSC indicates that this suggestion is based upon the premise that all utility assets are supported proportionately by the entire utility capital structure.

n33 Wisconsin PSC Comments at 3.

n34 MCI Comments at 7.

n35 SWBT Reply Comments at 4. **[**19]**

3. Discussion

19. We will require each carrier to use its actual average cost of debt as its capitalization rate. n36 This standard is consistent with the requirements of GAAP and it is fair to the carriers. The Wisconsin PSC suggests that we use the average cost of capital (debt and equity) rather than the average cost of debt, to calculate AFUDC. We do not adopt **[*2215]** this proposal because this approach is inconsistent with our goal of establishing a treatment of AFUDC that is in accordance with GAAP. Wisconsin PSC's proposal would also result in larger amounts being capitalized and recovered from both current and future ratepayers since carriers cost of equity usually exceeds their cost of debt. Under GAAP, interest costs of financing construction are recognized costs of acquiring assets and equity costs are not. Wisconsin PSC's proposal would require the carriers to capitalize equity costs that are not recognized as costs under GAAP, which would clearly violate the accounting tenet of recording assets at cost.

n36 If, however, a carrier borrows to finance a specific asset, the carrier can use the rate associated with the borrowing for that asset, subject to the limitations set forth in FASB 34. **[**20]**

20. We reject MCI's argument that the use of the prime rate is necessary to encourage carriers to expedite construction projects. Our incentive regulation programs as well as those of many of the states furnish ample incentives to carriers to complete their construction projects expeditiously. Prompt completion of these projects will increase their opportunity to bring in new revenue and, thus, increase their profitability. In addition, all carriers, even those that

continue under traditional rate of return regulation, will have incentives under our revenue requirement offset method to complete construction in order to avoid the revenue requirement offset.

C. Other Matters

21. As recommended by NECA, we adopt conforming amendments to Part 36 of our Rules because Section 36.222(c) n37 refers to Account 2004 which would be eliminated under the adoption of our proposal and to Account 2003 which would be revised. Since these amendments are technical corrections that will not change jurisdictional separations results, neither additional notice and comment nor a Federal-State Joint Board pursuant to Section 410(c) of the Communications Act is necessary. n38

n37 47 C.F.R. § 36.222(c).

n38 See *47 U.S.C. § 410*(c). **[**21]**

22. The amendments discussed herein also affect the reports that carriers file under our Automated Reporting and Management Information System ("ARMIS"). We direct the Chief, Common Carrier Bureau, to revise the affected ARMIS reports to reflect these amendments.

IV. CONCLUSION

23. For the reasons set forth above, we conclude that our accounting rules for AFUDC capitalization should be consistent with GAAP and that our ratemaking rules with respect to TPUC should be consistent with our accounting rules. Therefore, we amend Parts 32 and 65 of our Rules as set forth in Appendix B. We also make conforming amendments to Part 36 of our Rules.

V. ORDERING CLAUSES

24. Accordingly, IT IS ORDERED that, pursuant to Sections 1, 4(i), 201-205, 219, and 220 of the Communications Act of 1934, as amended, *47 U.S.C. § § 151,* 154(i) 201-205, 219, and 220, Parts 32, 36, and 65 of our Rules, 47 C.F.R. Parts 32, 36, and 65 ARE AMENDED, as set forth in Appendix B.

25. IT IS FURTHER ORDERED that, pursuant to Section 220(g) of the Communications Act of 1934, as amended, *47 U.S.C. § 220*(g) and Section 1.427(c) of the Commission's **[**22]** Rules, 47 C.F.R. § 1.427(c), the amendments to Parts 32, 36, and 65 of the Commission's Rules. 47 C.F.R. Parts 32, 36, and 65 as set forth in Appendix B, shall be effective six months after publication in the Federal Register.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton

Acting Secretary

APPENDIX:

APPENDIX A

List of Respondents

Comments

Ameritech Operating Companies (Ameritech)

Bell Atlantic Telephone companies (Bell Atlantic)

BellSouth Telecommunications, Inc. (BellSouth)

Florida Public Service Commission (Florida PSC)

MCI Telecommunications Corporation (MCI)

Missouri Public Service Commission (Missouri PSC)

National Exchange Carrier Association (NECA)

National Telephone Cooperative Association (NTCA)

New England Telephone and Telegraph Company and New York Telephone Company (NYNEX)

Public Service Commission of Wisconsin (Wisconsin PSC)

Southern New England Telephone Company (SNET)

Southwestern Bell Telephone Company (SWBT)

Reply Comments

Ameritech

MCI

NTCA

SWBT

U S West Communications, Inc. (U S West)

APPENDIX B

Parts 32, 36 and 65 of Title 47 of the CFR are amended as follows:

PART 32 -- UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

1. The **[**23]** authority citation for Part 32 continues to read as follows:

Authority: Secs. 4(i), 4(j) and 220 as amended; *47 U.S.C. Secs. 154*(i), 154(j) and 220 unless otherwise noted.

2. Paragraph 32.2000(c)(2)(x) is revised to read as follows:

§ 32.2000 Instructions for telecommunications plant accounts.

* * *

(c) * * *

(2) * * *

(x) Allowance for funds used during construction ("AFUDC") provides for the cost of financing the construction of telecommunications plant. AFUDC shall be charged to Account 2003, Telecommunications Plant Under Construction, and credited to Account 7340. The rate for calculating AFUDC shall be determined as follows: If financing plans associate a specific new borrowing with an asset, the rate on that borrowing may be used for the asset; if no specific new borrowing is associated with an asset or if the average accumulated expenditures for the asset exceed the amounts of specific new borrowing associated with it, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowing of the enterprise. The amount of interest cost capitalized in an accounting period shall **[**24]** not exceed the total amount of interest cost incurred by the company in that period.

* * *

3. Section 32.2003 is amended by revising the section heading and paragraphs (a) and (c) to read as follows:

§ 32.2003 Telecommunications plant under construction.

(a) This account shall include the original cost of construction projects. (Note also § 32.2000(c).)

* * *

(c) If a construction project has been suspended for six months or more, the cost of the project included in this account shall be transferred to Account 2006, Nonoperating Plant, without further direction or approval of this Commission. If a project is abandoned, the cost included in this account shall be charged to Account 7370, Special Charges.

* * *

4. Section 32.2004 is removed.

5. Section 32.7340 is revised to read as follows:

§ 32.7340 Allowance for funds used during construction.

This account shall be credited with amounts charged to the telecommunications plant under construction account. (See § 32.2000(c)(2)(x).)

PART 36 -- JURISDICTIONAL SEPARATIONS PROCEDURES; STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES. **[**25]**

1. The authority citation for Part 36 continues to read as follows:

Authority: *47 U.S.C. Secs. 151,* 154(i) and (j), 205, 221(c), 403 and 410.

2. Section 36.101 is revised to read as follows:

§ 36.101 Section arrangement.

(a) This subpart is arranged in sections as follows:

General:	
Telecommunications Plant in Service-Account 2001.	36.101 and 36.102.
General Support Facilities -- Account 2110	36.111 and 36.112.
Central Office Equipment -- Accounts 2210, 2220, 2230	36.121 thru 36.126.
Information Origination/Termination Equipment -- Account 2310	36.141 and 36.142.
Cable and Wire Facilities -- Account 2410	36.151 thru 36.157.
Amortization Assets -- Accounts 2680 and 2690	36.161 and 36.162.
Telecommunications Plant-Other Accounts 2002 thru 2005	36.171.
Rural Telephone Bank Stock.	36.172.
Material and Supplies -- Accounts 1220, and Cash Working Capital	36.181 and 36.182.
Equal Access Equipment.	36.191.

3. Section 36.171 is revised to read as follows:

§ 36.171 Property held for future telecommunications use -- Account 2002; Telecommunications plant under construction -- Account 2003; and Telecommunications plant adjustment **[**26]** -- Account 2005.

The amounts carried in Accounts 2002, 2003, and 2005 are apportioned among the operations on the basis of the apportionment of Account 2001, Telecommunications Plant in Service.

4. Section 36.222(c) is revised to read as follows:

§ 36.222 Nonoperating income and expenses -- Account 7300.

* * *

(c) The portion reflecting allowance for funds used during construction is apportioned on the basis of the cost of Telecommunications Plant Under Construction -- Account 2003. The portion reflecting costs for social and community welfare contributions and fees is apportioned on the basis of the apportionment of corporate operations expenses.

PART 65 -- INTERSTATE RATE OF RETURN PRESCRIPTION PROCEDURES AND METHODOLOGIES

1. The authority citation for Part 65 continues to read as follows:

Authority: Secs. 4, 201, 202, 203, 205, 218, 403, 48 Stat., 1066, 1072, 1077, 1094, as amended, *47 U.S.C. Secs. 154,* 201, 202, 203, 205, 218, 403.

2. Section 65.450(d) is revised to read as follows:

§ 65.450 Net Income.

* * *

(d) Except for the allowance for funds used during construction, reasonable charitable deductions and interest related **[**27]** to customer deposits, the amounts recorded as nonoperating income and expenses and taxes (Accounts 7300-7450) and interest and related items (Accounts 7500-7540) and extraordinary items (Accounts 7600-7640) shall not be included unless this Commission specifically determines that particular items recorded in those accounts shall be included.

3. Section 65.820(a) is revised to read as follows:

§ 65.820 Included items.

(a) Telecommunications Plant. The interstate portion of all assets summarized in Account 2001 (Telecommunications Plant in Service) and Account 2002 (Property Held for Future Use), net of accumulated depreciation and amortization, and Account 2003 (Telecommunications Plant Under Construction), and, to the extent such inclusions are allowed by this Commission, Account 2005 (Telecommunications Plant Adjustment), net of accumulated amortization. Any interest cost for funds used during construction capitalized on assets recorded in these accounts shall be computed in accordance with the procedures in § 32.2000(c)(2)(x) of this chapter.

QWEST CORPORATION
COMPARISON OF CONSTRUCTION FINANCING COST ACCOUNTING METHODOLOGIES

ASSUMPTIONS:	
Cost of Construction	$ 1,000.00
Date cost of Construction incurred	1/1/2003
Date Plant placed in service	12/31/2003
Construction period (years)	1.00
Authorized Rate of Return	10.0%
Average Cost of Debt	8.0%

COST RECOVERY COMPARED	NPV OF COSTS RECOVERED	UNDER-RECOVERY OF COSTS
RATEBASE METHOD	1100.00	0.00
REVENUE REQUIREMENT OFFSET METHOD	1100.00	0.00
CAPITALIZATION METHOD	1080.00	20.00

RATEBASE METHOD

	Construction Costs	Financing Costs During Construction	Total Cost of Construction	Unrecovered Capital Cost (Beginning of Period)	Unrecovered Financing Costs in Each Period	Total Unrecovered Costs (Beginning of Period)	Return on Unrecovered Costs in Ratebase	Cost of Construction Recovered Through Depreciation	Financing Cost Recovered through Depreciation	Allowance for Funds Used During Construction Credited to Income	Total Costs Recovered	Present Value of Costs Recovered
a	b	c	d=b+c	e	f	g	h=return on g	i=depr of e	j=depr of f	k	l=h+i+j+k	m=PV of l
Constr	1000.00	100.00	1100.00	1000.00	0.00	1000.00	100.00			NA	100.00	100.00
Year 1				1000.00	0.00	1000.00	100.00	200.00	0.00		300.00	272.73
Year 2				800.00	0.00	800.00	80.00	200.00	0.00		280.00	231.40
Year 3				600.00	0.00	600.00	60.00	200.00	0.00		260.00	195.34
Year 4				400.00	0.00	400.00	40.00	200.00	0.00		240.00	163.92
Year 5				200.00	0.00	200.00	20.00	200.00	0.00		220.00	136.60
				0.00	0.00	0.00						
							400.00	1000.00	0.00	0.00	1400.00	1100.00

QWEST CORPORATION
COMPARISON OF CONSTRUCTION FINANCING COST
ACCOUNTING METHODOLOGIES

REVENUE REQUIREMENT OFFSET METHOD

	Construction Costs	Financing Costs During Construction	Total Cost of Construction	Capital Cost Included in Ratebase (Beginning of Period)	Financing Costs Included in Ratebase (Beginning of Period)	Total Costs Included in Ratebase (Beginning of Period)	Return on Unrecovered Costs Included in Ratebase	Cost of Construction recovered Through Depreciation	Financing Cost Recovered through Depreciation	Allowance for Funds Used During Construction Credited to Income	Total Costs Recovered	Present Value of Costs Recovered
a	b	c	d=b+c	e	f	g	h=return on g	i=depr of e	j=depr of f	k	l=h+i+j+k	m=PV of l
Constr	1000.00	100.00	1100.00	1000.00		1000.00	100.00			-80.00	20.00	20.00
Year 1				1000.00	80.00	1080.00	108.00	200.00	16.00		324.00	294.55
Year 2				800.00	64.00	864.00	86.40	200.00	16.00		302.40	249.92
Year 3				600.00	48.00	648.00	64.80	200.00	16.00		280.80	210.97
Year 4				400.00	32.00	432.00	43.20	200.00	16.00		259.20	177.04
Year 5				200.00	16.00	216.00	21.60	200.00	16.00		237.60	147.53
				0.00	0.00	0.00	0.00				0.00	
							424.00	1000.00	80.00	-80.00	1424.00	1100.00

CAPITALIZATION METHOD

	Construction Costs	Financing Costs During Construction	Total Cost of Construction	Capital Cost Included in Ratebase (Beginning of Period)	Financing Costs Included in Ratebase (Beginning of Period)	Total Costs Included in Ratebase (Beginning of Period)	Return on Unrecovered Costs Included in Ratebase	Cost of Construction recovered Through Depreciation	Financing Cost Recovered through Depreciation	Allowance for Funds Used During Construction Credited to Income	Total Costs Recovered	Present Value of Costs Recovered
a	b	c	d=b+c	e	f	g	h=return on g	i=depr of e	j=depr of f	k	l=h+i+j+k	m=PV of l
Constr	1000.00	100.00	1100.00	0.00	0.00	0.00	0.00			NA	0.00	0.00
Year 1				1000.00	80.00	1080.00	108.00	200.00	16.00		324.00	294.55
Year 2				800.00	64.00	864.00	86.40	200.00	16.00		302.40	249.92
Year 3				600.00	48.00	648.00	64.80	200.00	16.00		280.80	210.97
Year 4				400.00	32.00	432.00	43.20	200.00	16.00		259.20	177.04
Year 5				200.00	16.00	216.00	21.60	200.00	16.00		237.60	147.53
				0.00	0.00	0.00	0.00				0.00	
							324.00	1000.00	80.00	0.00	1404.00	1080.00

Qwest Arizona
Intrastate Operating Income Annualization
($000's)

Line	Type	Account	Driver	(A) R^2	(B) T-Score	(C) 2003 Actual	(D) Normalized Value	(E) Increase (Decrease)
1	Local Recur	5001.11 - Business Recurring	Business Lines	0.8975	-46.89 / -24.61	(304,210)	(295,983)	(8,227)
2	Local Recur	5001.21 - Residence Recurring	Consumer Lines	0.9506	-382.81	(274,382)	(252,212)	(22,170)
3	Local Recur	5001.71 - Interexchange Carrier Access Line Recurring	Public Lines	0.7483	-10.06	(90)	(45)	(45)
4	Local Recur	5060.111 - Recurring Business - Central Office Features	Business Lines	0.7354	-5.93 / -9.95	(41,128)	(38,882)	(2,246)
5	Local Recur	5060.113 - Recurring Business - Central Office Features Usage	Period Number	0.5532	6.49	(1,002)	(908)	(93)
6	Local Recur	5060.121 - Residence Central Office Features Recurring	Consumer Lines	0.7470	-10.02	(132,061)	(120,192)	(11,869)
7	Local Recur	5060.131 - Public Central Office Features Recurring	Public Lines	0.6613	-8.15	(180)	(178)	(1)
8	Access Rev	5084.21 - Switched Access InterLATA	Access MOU/ Rate	0.8973	2.79 / 7.16	(18,207)	(16,434)	(1,773)
9	Access Rev	5084.22 - Switched Access IntraLATA	Access MOU	0.5101	-37.19	(16,622)	(18,677)	2,055
10	Access Rev	5084.29 - Switched Access Other	Access MOU/ Rate	0.5986	7.12	(1,747)	(1,193)	(554)
11	Access Rev	5084.32 - Private Line Transport Recurring	Access MOU	0.6874	2.51	(36,655)	(36,593)	(62)
12	Local NonRecur	5001.12 - Business NonRecurring	Business Orders	0.5837	2.66 / 2.58	(6,989)	(7,221)	231
13	Local NonRecur	5001.22 - Residence NonRecurring	Residence Lines	0.5747	-6.78	(17,524)	(14,782)	(2,742)
14	Toll	5100.22 - Long Distance Message Revenue - Residence	Consumer Lines	0.7218	9.39	(3,417)	(1,929)	(1,488)
15	Toll	5100.23, .24, .26 & .29 - Long Distance Message Revenue - Other	Period Number	0.5234	6.11	(2,014)	(1,644)	(370)
16	Toll	5100.42 - Toll Calling Revenue - Residence	Period Number	0.7929	11.41	(1,455)	(736)	(719)
17	Dir Asst	5060.34 - Directory Assistance Revenue - Resale	Period Number	0.4998	5.83	(137)	(107)	(30)
18	White Pages	5230.11 Directory Rev White Pages - NonStd Listings	Access Lines	0.9703	33.34	(13,181)	(12,161)	(1,020)
19	White Pages	5230.19 Directory Rev White Pages - Other	Access Lines	0.8213	12.50	(2,830)	(3,289)	460
20	Miscellaneous	5240.5 - Miscellaneous - Unbundled & Rebundled Services	Residence Access Lines	0.7047	9.01	(28,955)	(35,982)	7,028
21	Miscellaneous	5264.3 - Miscellaneous - Late Payment Fe	Access Lines	0.7578	10.31	(6,235)	(4,873)	(1,682)
22	Miscellaneous	5270 - Miscellaneous - Carrier Billing & Co	Access Lines	0.5520	6.47	(12,624)	(11,220)	(1,735)
23	Uncollectibles	5301.2 - End User	Total Lines	0.5422	6.35	17,140	15,280	(1,860)
24	Uncollectibles	5301.8 - Nonregulated	Period Number	0.7741	-9.97	1,380	835	(546)
25	**TOTAL**							**(49,457)**

Summary

26	Local Revenue	(47,162)
27	Access Revenue	(334)
28	Intrastate Toll	(2,577)
29	Miscellaneous	3,021
30	Uncollectibles	(2,405)
31	**TOTAL**	**(49,457)**

Qwest Arizona
2003 Employee Levels

1 **PENSION ASSET**

2 **Q. DO YOU AGREE WITH RUCO'S AND STAFF'S PROPOSAL TO**
3 **REMOVE PENSION ASSET FROM RATE BASE? [LARKIN, P. 29, LINE**
4 **8 TO P. 33. LINE 9; CARVER, PP. 116-134]**

5 A. No.

6

7 **Q. PLEASE EXPLAIN WHAT THE PENSION FUND IS.**

8 A. The pension fund is a trust (Pension Trust) that is a separate legal entity
9 from Qwest and, by law, is operated solely for the benefit of participating
10 employees and retirees. This is a very important point that bears
11 repeating. The Pension Trust and Qwest are completely separate legal
12 entities.

13

14 **Q. IS THERE A SURPLUS IN THE PENSION FUND?**

15 A. Yes. At the end of 1999, the pension plan's total benefit obligation was
16 computed under the rules of Statement of Financial Accounting Standards
17 No. 87 (FAS 87) to be $8.9 billion and the fair value of plan assets was
18 computed to be $14.6 billion. So the surplus was roughly $5.8 billion.

19

20 **Q. WHY IS THERE A SURPLUS IN THE PENSION FUND?**

A. Prior to Qwest's adoption of FAS 87 in 1987, the amount of pension expense reported for financial reporting purposes in any given year equaled the amount contributed to the pension fund for that year. The amount contributed was (and remains) subject to limitations under ERISA and federal income tax laws. After the adoption FAS 87, the recognition of pension expense was de-coupled from the amount of funding; pension expense became a computed amount.

Similarly, the FAS 87 rules for determining the amount of any surplus or deficit in a pension fund are not tied to the laws governing pension plan funding. So, right out of the box in 1987 the amount of surplus in the pension fund recognized under FAS 87 rules was roughly $1.9 billion, even though Qwest and its predecessors had never over-funded the plan under ERISA and tax laws.

While the plan has continued to pay pension benefits, there has been no funding of the Pension Trust since 1987. Nevertheless, the fair value of plan assets in the Pension Trust has grown from $6.6 billion at year-end 1987 to $14.6 billion at year-end 1999 and the computed surplus under FAS 87 has grown to $5.8 billion.

So the surplus arose when new measurement rules (FAS 87) were adopted and has grown since then as a result of higher than actuarially expected ("stellar" in Mr. Carver's parlance) returns on Pension Trust

investments. [Carver, p. 122, line 14; see also Attachment 1 to Mr. Larkin's testimony]

Q. IS ANY OF THIS MONEY RECORDED ON QWEST'S BOOKS?

A. No. The plan assets (including the surplus) belong to the Pension Trust and are recorded on the Pension Trust's books, not Qwest's books.

Q. WHO BENEFITS FROM THE SURPLUS?

A. Ratepayer, investors, current employees and retirees all benefit from the surplus. As the sole beneficiaries of the pension plan, retirees and current employees benefit from the surplus because it provides strong assurance that their pensions will remain fully funded. Investors benefit from the surplus because it prolongs the time before they will have to begin funding the pension plan and because some of the surplus can be used to pay health care benefits of current retirees. Ratepayers benefit from the surplus because it is one of the variables used in the calculation of pension expense credits recorded on Qwest's books (Pension Credits) that reduce cost of service.

Q. THEN WHAT IS THE PENSION ASSET?

A. The Pension Asset is a balance recorded on Qwest's balance sheet.

Q. WHAT CAUSES THE PENSION ASSET ON QWEST'S BOOKS?

A. The Pension Asset has been created by the recording of Pension Credits on Qwest's books. Under FAS 87 accounting rules, pension expense is computed using a five factor formula that takes into account 1) service cost, 2) interest cost, 3) expected return on plan assets, 4) amortization of transition asset and 5) amortization of prior service cost. The first, second and fifth items typically generate positive expenses (charges). Because of the surplus in the Pension Trust, the computation of the third item (expected return on plan assets) and the fourth item (amortization of transition asset) generate negative expenses (credits). The sum of these five items has, for all but two years since Qwest's adoption of FAS 87 in 1987, generated a net negative expense (Pension Credit). The Pension Credit is an accrued negative expense on Qwest's books (not the Pension Trust's books).

Qwest cannot legally receive money from the Pension Trust to fund this negative pension expense accrual. Consequently, Qwest must charge this negative pension expense to a Pension Asset. So the Pension Asset is the accumulation of negative pension expense (Pension Credits) recorded in prior periods on Qwest's books.

Q. WHO BENEFITS FROM PENSION CREDITS?

A. Ratepayers, and to a small degree, investors benefit from Pension Credits. Ratepayers benefit from Pension Credits because they reduce cost of service and, therefore, put downward pressure on regulated rates. For instance, in the current test year, the Pension Credit puts downward pressure on revenue requirement by about $20 million. Investors benefit to a small degree from the Pension Credit because it increases reported earnings, but not cash flow.

Q. HAVE RATEPAYERS BENEFITED FROM ALL OF THE PENSION CREDITS RECORDED ON THE COMPANY'S BOOKS?

A. Yes. As I explained in my testimony concerning incentive compensation, ratepayers always benefit from decreases in costs reflected in regulated results of operations under cost of service regulation. Pension Credits are negative costs that reduce revenue requirement. Because every financial period is a test period (regardless of whether it warrants a case before the Commission), every dollar recorded as Pension Credit has a direct effect on revenue requirement. If revenue requirement changes enough, a rate case and a rates change will be warranted. But whether or not a rate case occurs, and regardless of the outcome of the case, ratepayers always benefit from the revenue requirement dampening effect of Pension Credits.

Mr. Carver observes that regulatory agencies are often reluctant to commit the required resources to pursue and process formal earnings complaint cases. [Carver, p. 132, lines 2 through 6] My experience suggests that utilities are also reluctant to file a case unless the outcome is likely to involve a significant change in rates. This reluctance to fully litigate a case unless the financial stakes are substantial does not diminish the benefit to utilities of any particular factor that increases revenue requirement nor the benefit to ratepayers of any factor (such as a pension credit) that decreases revenue requirement. It simply means that all the factors that make up revenue requirement, considered in aggregate, may not warrant a case.

Q. RUCO IMPLIES THAT THE PENSION ASSET IS "THE NET AMOUNT OF THE COMPANY'S PENSION OVER-FUNDING...." [LARKIN, P. 29, LINE 18] IS THIS CORRECT?

A. No. The surplus in the Pension Trust could be described (albeit inaccurately) as the "net amount of pension over-funding". However, it is not a correct description of the Pension Asset. The Pension Asset is the accumulation on Qwest's books of Pension Credits and pension expense debits over the years since Qwest's adoption FAS 87. Beginning on page 117, line 3, Mr. Carver's testimony also explains the accounting that creates the Pension Asset and on page 118, chronicles the Pension

Credits and debits that have resulted in the Pension Asset on Qwest's books.

Q. WHAT IS THE SOURCE OF FUNDING FOR THE PENSION ASSET?

A. One of the fundamental accounting concepts that first year accounting students learn is that all assets on a balance sheet must be funded by liabilities or equity. Because Qwest cannot withdraw funding money from the Pension Trust for negative expense and must, instead, debit the Pension Asset, the source of funding for the Pension Asset is Qwest's investors who provide the money to fund debt and equity on Qwest's books.

Q. MR. LARKIN CLAIMS THE PENSION ASSET SHOULD BE REMOVED FROM RATE BASE BECAUSE THE COMPANY HAS NOT CLEARLY DEMONSTRATED THAT THE PENSION ASSET HAS BEEN FUNDED BY SHAREHOLDERS. IS HE CORRECT?

A. No. The accounting that shows the Pension Asset is funded by investors is rudimentary and clear. The source of funding for the Pension Asset is the debt and equity on the Company's books. It follows that under the same ratemaking standards that apply to the other major balances in the Company's Arizona rate base, the Company has fully met its obligation to demonstrate that investors have funded the Pension Asset.

In contrast, Mr. Larkin claims that the sources of the funding for the Pension Asset are:

> (1) the switch to accrual accounting when Statement of Financial Accounting Standards 87 (FAS 87) was adopted by the Company; (2) ratepayer payments to the Company for amounts of pension expense that were reflected in rates; and (3) earnings on the pension trust assets. . [Larkin, p. 30, line 10 to p. 31, line 2.]

None of these assertions is correct. The adoption of FAS 87 was not a financial transaction. So it could not be a source of funding. Instead, the adoption of FAS 87 was a change in accounting principle that made it possible for the Company to begin accruing the Pension Credits that gave rise to the Pension Asset.

Ratepayers' payments for services are clearly a source of positive cash flow. But they are not a source of funding. No sound accounting theory supports the contention that payments for services are contributions of capital to a privately held corporation.

Earnings on assets in the Pension Trust increase its balance. Increases in the Pension Trust balance increase the expected return on plan assets used in the calculation of pension expense. Increased expected return on plan assets reduces pension expense (in Qwest's case to a negative number). Accruing negative pension expense causes the accrual of the Pension Asset. However, the mere recording of these accruals provides no funding.

By law, Qwest cannot withdraw money from the Pension Trust for reimbursement of the Pension Credits recorded on its books. So Qwest must record negative pension expense under FAS 87 accounting rules, but can get no money from the Pension Trust to fund the negative expense. Without any other source for funding the asset, it falls to Qwest's investors to supply the capital for funding the Pension Asset. Contrary to Mr. Larkin's assertion, the earnings on the trust fund assets do not provide a source of funding for the Pension Asset because the law prevents Qwest from getting access to them for that purpose.

Q. WHY DOES STAFF BELIEVE THE PENSION ASSET SHOULD BE REMOVED FROM RATE BASE?

A. As I understand it, Mr. Carver's opinion is as follows:

- The Company improperly relies on its balance sheet accounting records for purposes of determining the amount that is includable in rate base. [Carver, p. 120, lines 18 and 19; p. 121, lines 5 through 14, p. 129, lines 16 through 19]
- In order to allow the Pension Asset in ratebase, the Company bears a burden of demonstrating that cumulative Pension Credits (the negative pension expense) of at least $62.2 million (intrastate) have been flowed through to its ratepayers. [Carver p. 119, lines 22 through 24; p. 120, line 25; p. 122, lines 17 through 20; p. 127, lines 15 through 17]
- The Company has not made this demonstration. [Carver, p. 120, lines 20 through 23; p. 121, lines 15 through 19; p. 128, lines 6 through 8, p. 128, lines 14 through 16]
- The Company can not make this demonstration because it is not possible to make this demonstration. [Carver, p. 120, lines 4 through 6;

p. 121, lines 15 through 19; p. 122, lines 20 and 21; p. 123, lines 17 and 18]

Q. DO YOU AGREE WITH MR. CARVER'S OPINION?

A. No. Mr. Carver has departed from sound ratemaking principles and invented his own special rule for deciding whether Pension Asset should be included in ratebase. By his own admission, it is not possible to satisfy his rule.

Q. WHY DO YOU SAY MR. CARVER HAS DEPARTED FROM SOUND RATE MAKING PRINCIPLES?

The primary components that must be considered for inclusion in rate base are:

1. Working Capital
2. Plant in service
3. Accumulated depreciation
4. Accumulated deferred taxes
5. Pension Asset

Of these five items, the last three are created by expense accruals: depreciation expense accruals create Accumulated Depreciation; deferred tax expense accruals create Accumulated Deferred Taxes, and negative pension expense accruals create the Pension Asset.

As Mr. Carver explains, under widely accepted rate making principles, a cost (which includes accrued expenses) is presumed to be covered by

existing rates, regardless of whether the cost of service study underlying those rates included a specific allowance for that unique cost. Were it otherwise, "the result could entail an endless reconciliation process comparing each element of actual costs during the rate effective period with the cost of service details underlying the preceding rate case order." [Carver, p. 132, lines 7 through 24] In fact, the rule against retro-active ratemaking is intended to prevent just such an "endless reconciliation process" (like the one Mr. Carver suggests must be performed to allow inclusion of Pension Asset in ratebase).

Under this widely accepted ratemaking principle, the balances on a utility's balance sheet that were created by accruals (Accumulated Depreciation, Accumulated Deferred Taxes, and Pension Asset) are treated as having been recovered or provided in rates whether or not they actually were.

> When rate base is constructed, the original cost of the assets is reduced by the accumulated provisions for depreciation. These accumulated provisions represent the prior years allocations [(accruals)] of depreciation for which the utility has had the opportunity to recover through rates but which recovery is not assured. [Principles of Public Utility Rates, Bonbright, Danielson and Kamerschen, (1988) p. 271, emphasis added]

Because this general principle is, and has long been accepted in Arizona, when the Commission reviews the ratebase in this proceeding, it will not require Staff and RUCO to engage in any reconciliation process to determine whether, and to what extent, the Company actually recovered in rates in prior years the Accumulated Depreciation and Accumulated

Deferred Taxes on Qwest's books. Instead, the parties, (including Staff) will presume that the Company has recovered all Accumulated Depreciation and all Accumulated Deferred Taxes on its books.

Regarding the Pension Asset, Mr. Carver's opinion departs from the widely ~~this~~ accepted presumption. He claims that it has "limited application" [Carver, p. 123, lines 3 through 7] and argues that the Pension Asset can be included in ratebase only if the Company meets a burden of a reconciliation process that shows that the Pension Credits recorded on the books were flowed through to ratepayers in rates. He also believes the Company cannot and could never meet that burden.

Q. WHY DO YOU SAY MR. CARVER HAS INVENTED HIS OWN STANDARD?

A. Mr. Carver's testimony is careful to couch his advocacy concerning the reconciliation requirement as his opinion. Mr. Carver's opinion—that the Company bears a burden of demonstrating through a reconciliation that cumulative Pension Credits (the negative pension expense) have been flowed through to its ratepayers—is not a generally accepted ratemaking principle. If it were, then the other elements of ratebase that are created by expense accruals (Accumulated Depreciation and Accumulated Deferred taxes) would also be subject to the same burden that Mr. Carver would impose on the Pension Asset. In fact, his position directly violates

widely accepted ratemaking standards by contravening the rule against retroactive ratemaking.

Mr. Carver asserts that the widely accepted presumption that accrued expenses have been recovered or flowed through in rates does not extend to Pension Asset. [Carver, p. 132, line 24 through p. 133, line 2] However, he fails to offer any sound reason why Pension Asset should not be subject to the same ratemaking principles that govern the other elements of ratebase.

Q. MR. CARVER CLAIMS THAT, "THE QUESTION OF COST RECOVERY WITH REGARD TO NEGATIVE PENSION EXPENSE HAS A SUBSTANTIAL HISTORICAL CONTEXT WHICH, IF IGNORED, COULD LEAD TO INAPPROPRIATE CONCLUSIONS." [CARVER, P. 121, LINES 19 AND 20] DOESN'T THIS "SUBSTANTIAL HISTORICAL CONTEXT" JUSTIFY HIS DEPARTURE FROM WIDELY ACCEPTED RATEMAKING PRINCIPLES?

A. No. Mr. Carver recites the history of pension plan funding prior to and after the adoption of FAS 87 and observes that "the plan assets [in the Pension Trust] have accumulated over a long period of time, not just the last few years." [Carver, p. 122, lines 8 and 9] He also points out, correctly, that the high returns the Pension Trust has earned have "contributed to the negative pension expense being recorded by the

Company in accordance with FAS87, since 1987." [Carver, p. 122, lines 14 through 16] However, he offers no explanation about why he believes these factors justify a departure from widely accepted ratemaking principles and adoption, instead, of his proposed standard.

Accumulated depreciation and Accumulated deferred taxes also have a "substantial historical context." Like the funding of the Pension Trust and accrual of the Pension Asset, both Accumulated Depreciation and Accumulated Deferred Taxes have been created over long periods of time. Were the Commission to apply to them the same burden of reconciliation that Mr. Carver proposes for the Pension Asset, the reconciliation would, under Mr. Carver's interpretation of his own rule, extend back in time to the Company's first investment in Arizona. So a "substantial historical context" does not differentiate the Pension Asset from the other accrual-created balances on the Company's books and does not, in any event, justify a departure from widely accepted ratemaking standards.

Q. MR. CARVER ASSERTS THAT "IN SPITE OF THE REALITIES OF THE RATEMAKING PROCESS, THE COMPANY HAS BASICALLY RELIED ON AN 'AS RECORDED' COST RECOVERY THEORY...." [CARVER, P. 133, LINES 10 AND 11] HOW DO YOU RESPOND?

This assertion is curious. The Company relies on the "as recorded" cost recovery theory because of the realities of the ratemaking process, not in spite of them. Apparently, Mr. Carver seeks to create a separate and different reality for Pension Asset from the ratemaking reality that applies to the other elements of ratebase.

In the reality Mr. Carver seeks to create, he establishes a rule that, by his own admission, the Company can never satisfy. He proposes a reconciliation process to quantify the accumulated net pension recoveries from, or benefits provided to ratepayers. He complicates this process with his own set of conditions.

> First, I do not believe that it is possible to accurately quantify the accumulated net pension recoveries from or benefits provided to ratepayers. In order to prepare such a calculation, I believe that it would be necessary to reconcile the amount of actual pension costs recovered from ratepayers with the amounts actually contributed to the pension fund since the establishment of the pension plan. [Carver, p. 120, lines 4 through 9]

So under Mr. Carver's rule, the reconciliation of recorded expense to recovery and flow through must go back to the beginning of the pension fund and reconcile all of the rate orders and recorded expenses since then. He also requires that settlements of rate cases be ignored.

> In assessing the amount of pension credits flowed through to ratepayers, it is imperative that only those orders which specifically address the various components of cost of service be considered. [Carver, p. 126, lines 1 through 3]

By proposing a rule that requires a reconciliation back to the beginning of the pension plan, Mr. Carver has invented a "Catch 22" type of rule—one that, as he readily acknowledges, can never be satisfied.

Q. WHY DO YOU SAY MR. CARVER'S PROPOSED STANDARD FOR INCLUDING PENSION ASSET IN RATE BASE VIOLATES THE RULE AGAINST RETROACTIVE RATEMAKING?

A. Mr. Carver testifies:

> It is generally recognized that to allow utilities to collect additional funds from ratepayers in the future simply because expenses were incurred which had not been specifically provided for in the determination of the existing base rates is considered retroactive ratemaking. While past expenses are frequently employed in quantifying or developing the prospective cost of service on which overall rates are based, it is improper to establish future rates at levels intentionally designed to recover past losses or under-recoveries due to historical imbalances in the matching of rates and actual expenses. [Carver, p. 133, lines 3 through 9]

Mr. Carver's Pension Asset proposal would do exactly what he says is improper retroactive ratemaking. His reconciliation is a matching of recovery provided by prior rates with actual expenses accrued and capitalized on Qwest's balance sheet. To the extent recovery of negative expense by ratepayers was less than the negative expense accrued, he would recognize only the lesser amount. Hence, he would establish future rates at levels intentionally designed to remedy ratepayers' alleged

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2 the pension plan, Mr. Carver has invented a "Catch 22" type of rule—one
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4
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6 **INCLUDING PENSION ASSET IN RATE BASE VIOLATES THE RULE**
7 **AGAINST RETROACTIVE RATEMAKING?**
8 A. Mr. Carver testifies:

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> 10 funds from ratepayers in the future simply because expenses were
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> 12 determination of the existing base rates is considered retroactive
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> 15 overall rates are based, it is improper to establish future rates at
> 16 levels intentionally designed to recover past losses or under-
> 17 recoveries due to historical imbalances in the matching of rates and
> 18 actual expenses. [Carver, p. 133, lines 3 through 9]

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21 recovery provided by prior rates with actual expenses accrued and
22 capitalized on Qwest's balance sheet. To the extent recovery of negative
23 expense by ratepayers was less than the negative expense accrued, he
24 would recognize only the lesser amount. Hence, he would establish
25 future rates at levels intentionally designed to remedy ratepayers' alleged

past under-recoveries of pension credits by reducing the capitalized balance to the level of actual recoveries.

His proposal violates the rule against retroactive ratemaking in the same way the rule would be violated if Qwest were allowed to reduce Accumulated Depreciation because the amount of depreciation included in rates was less than the amount of depreciation it recorded on its books in prior rate effective periods. The only difference between Mr. Carver's proposed retroactive ratemaking treatment of Pension Asset and the retroactive ratemaking treatment of Accumulated Depreciation I have just described is that his case deals with credits to pension expense and mine deals with debits to depreciation expense.

Q. DO YOU SEE ANY INCONSISTENCIES IN MR. CARVER'S ARGUMENTS AND HIS CONCLUSION THAT RATEPAYERS HAVE NOT RECEIVED SUBSTANTIAL BENEFITS FROM THE RECORDING OF PENSION CREDITS? [CARVER, P. 123, LINE 10]

A. Yes. On the same page that Mr. Carver asserts ratepayers have not received substantial benefits [Carver, p. 123, line 10], he also asserts that it is not possible to accurately quantify the benefits ratepayers have received. [Carver, p. 123, lines 17 and 18] With regard to cases in which revenue requirement was settled, Mr. Carver also admits, "I am unable to conclude what amount of any pension credits were embedded within the

test years used in either of these proceedings or whether any credits were partially or fully flowed through to benefit ratepayers...." [Carver, p. 126, lines 26 through 30]

If it is not possible to accurately quantify the benefits provided to ratepayers, then any conclusion that ratepayers have received no substantial benefits necessarily must be questioned.

If it is not possible for the author of a proposed standard to determine whether or not it has been met, then that standard should be questioned. The fact that Mr. Carver offers two different calculations of the benefits ratepayers have received [Carver Appendix SCC-1 and Appendix SCC-2], and that these two calculations differ by more than $100 million, suggests and illustrates why the reconciliation standard that he advocates is not workable or reasonable.

Q. BOTH STAFF AND RUCO CITE THE COMMISSION'S ORDER IN QWEST'S LAST RATE CASE IN SUPPORT OF THEIR POSITION. [CARVER, P. 133, LINE 16 THROUGH P. 134, LINE 14; LARKIN, P. 29, LINES 15 THROUGH 23] WHY HAS QWEST TAKEN A POSITION DIFFERENT FROM THE COMMISSION'S PRIOR ORDER?

A. Qwest respectfully disagrees with the conclusion the Commission reached in the prior order. As my testimony makes clear, we believe the Commission should determine the amount of Pension Asset by applying

the widely accepted standard for determining the elements of ratebase[2] instead of Mr. Carver's proposed standard.

Q. HOW DO YOU RECOMMEND THE COMMISSION TREAT THE PENSION ASSET FOR RATEMAKING PURPOSES?

A. I recommend that the Commission reject the imposition of Mr. Carver's proposed standards for inclusion of Pension Asset in ratebase and, instead, employ the widely accepted standard of establishing ratebase that relies on balances as recorded. I recommend the Commission not deny investors their right to recover a return on their capital invested in the Pension Asset. Therefore, I recommend the Commission make no adjustment to remove the Pension Asset from rate base.

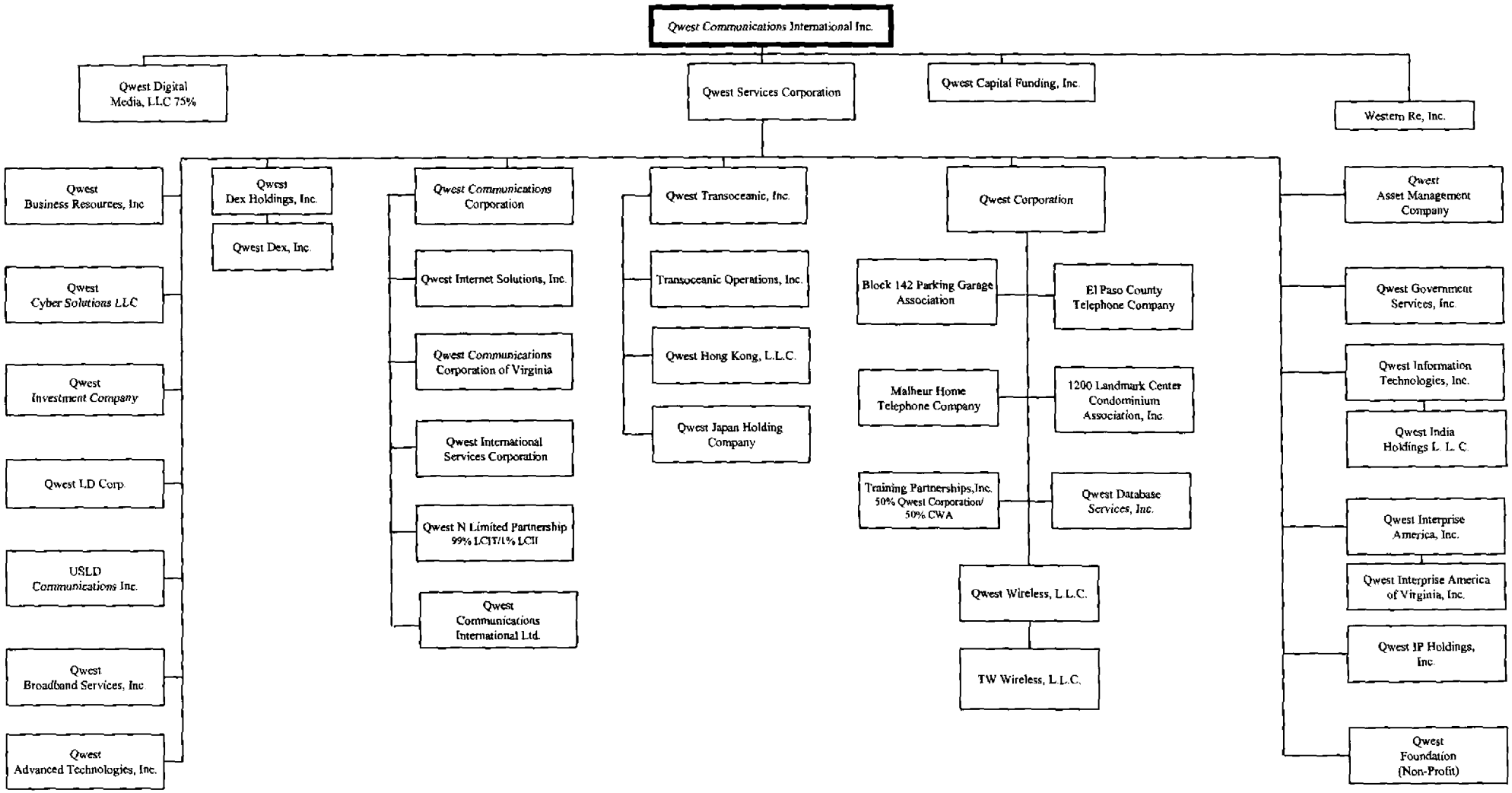
If the Commission chooses to deny investors a return on the Pension Asset by imposing a reconciliation burden that cannot be met, then the Commission should 1) ensure that no further Pension Asset is created by ceasing any further recognition of negative pension expense in regulated results of operations and cost of service and 2) return the Pension Asset to investors by amortizing it into cost of service over an appropriate amortization period.

[2] In an Order adopted December 17, 1987, in Docket 86-497, the FCC ruled, at paragraph 43 regarding items to be included in rate base, "We will allow deferred charges related to...pension fund payments in excess of expenses recognized for regulatory purposes."

PENSION ASSET - 3 Year Amortization

(A) Line #	(B) Description	(C) Source	(D) Amount
1	Other Noncurrent Assets, Prepaid Pension & Death Benefits (A/C 1410.1), 1/1/2003	Ledger	131,175,571
2	Less: Other Long-term Liabilities, Service Pensions and Death Benefits (A/C 4310.1), 1/1/2003	Ledger	(2,286,842)
3	Total Pension Asset	L1+L2	128,888,729
4	Phase in Period (Years)	Input	3
5	Phased-in Pension Asset	L3xL4	42,962,910
6	Federal Income Tax	L5x FIT Rate	(14,057,507)
7	State Income Tax	L5x SIT Rate	(2,798,647)
8	Net Operating Income	L5+L6+L7	26,106,756
9	Intrastate Factor	Test Year	69.90%
10	**Intrastate Amount**	**L3xL9**	**18,248,022**
11	Gross Up Factor	Records	1.6876
12	**Revenue Requirement**	L10xL11	**30,795,854**

Chart of Corporate Affiliates
(as of December 31, 2003)



Excludes Foreign Ownership/Organization

NEW U S WEST, INC.
AND ITS SUBSIDIARIES
As of September 30, 1999

I. **U S WEST, Inc. (DE 12/23/97); amended name from USW-C, Inc. 06/12/98; merger of U S WEST Communications Group, Inc. (CO) into USW-C, Inc. 06/12/98; amended name from U S WEST Communications Group, Inc. (DE) 02/04/98**

- A. U S WEST Advanced Technologies, Inc. (CO 05/09/85); amended name from U S WEST Technologies, Inc.; 04/25/95 amended name from U S WEST Advanced Technologies 01/01/94.
- B. U S WEST Broadband Services, Inc. (DE 05/10/99); amended name from U S WEST Cable Ventures, Inc. 06/02/99
- C. U S WEST Business Resources, Inc. (CO 12/16/83); amended name from U S WEST Materiel Resources, Inc. 03/22/88; amended name from U S WEST Systems, Inc. 09/05/85.
  - 1. U S WEST Business Resources, Inc. (DE 10/11/85); amended name change from U S WEST Materiel Resources, Inc. 04/20/88; in the process of dissolution.
- D. U S WEST Capital Funding, Inc. (CO 06/10/86)
- E. U S WEST Communications, Inc. (CO 07/17/11); merger of Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company into The Mountain States Telephone and Telegraph Company 01/01/91; amended name from The Mountain States Telephone and Telegraph Company 01/03/91; d/b/a Mountain Bell; d/b/a/ Mountain States Telephone and Telegraph Corporation.[1]
  - 1. Block 142 Parking Garage Association (CO Non-profit 01/07/82)
  - 2. El Paso County Telephone Company (CO 08/10/15)
  - 3. Malheur Home Telephone Company (OR 11/7/10)
  - 4. Mubeta Development Co. (CO 11/26/71)
  - 5. Training Partnerships, Inc. (CO Non-profit 05/15/87)
  - 6. 1200 Landmark Center Condominium Association, Inc. (NE Non-profit 10/15/91)
  - 7. U S WEST Broadband Services of Nebraska, Inc. (DE 07/23/99)
  - 8. U S WEST Database Services, Inc. (CO 12/23/98)
  - 9. U S WEST Wireless, L.L.C. (DE 05/15/97)
    - a. TW Wireless, L.L.C. (DE 06/03/99); (Joint Venture with Touch America, Inc.; U S WEST Wireless, L.L.C. holds 50.1% of joint venture)
- F. U S WEST Communications Federal Services, Inc. (CO 11/10/88)

[1] U S WEST Communications, Inc. owns 1/7 share of National Telecommunications Alliance, Inc.

G. U S WEST Communications Services, Inc. (CO 03/01/84); (Consolidation of Interline Communications Services, Inc. and Firstel Information Systems, Inc. named U S WEST Services, Inc.; amended name from U S WEST Information Systems, Inc. 03/07/89; amended name from U S WEST Services, Inc. 08/01/85; d/b/a/ Command Data Systems; d/b/a U S WEST Public Safety Group, (formerly the Emergency Systems Division of U S WEST Enterprises.)

1. Please Hold Promotions, Inc. (AZ 03/12/85); acquired in an intercompany stock transfer 08/01/98; in the process of dissolution.

H. U S WEST Dex Holdings, Inc. (DE 05/25/95); amended name from U S WEST Media Group, Inc. 06/24/98

1. U S WEST Dex, Inc. (CO 10/14/83); amended name from U S WEST Marketing Resources Group, Inc.11/21/96; merger of all wholly owned subsidiaries into U S WEST Marketing Resources Group, Inc. 12/31/90; amended name from LANDMARK Publishing Company on 06/88; d/b/a U S WEST Marketing Resources International being used as branch office in Belgium.

a. Interactive Video Enterprises, Inc. (CO 02/24/94); amended name from U S WEST Interactive Video Enterprises, Inc. 06/01/94; In the process of dissolution.

I. U S WEST Education Foundation (WA Non-profit 04/29/85)

J. U S WEST Enhanced Services, Inc. (WA 03/27/84); amended name from Comm+Systems, Inc. 11/01/90; amended name from PNB Enhanced Services, Inc. 06/29/84

K. U S WEST Federal Relations, Inc. (DE 10/11/83); amended name from U S WEST, Inc. 05/11/95

L. U S WEST Foundation (CO Non-Profit 02/11/85); amended name from Mountain Bell Foundation 07/18/88

M. U S WEST Information Technologies, Inc. (CO 04/18/97)

N. U S WEST Internet Ventures, Inc. (CO 12/18/98); amended name from U S WEST Data Investments, Inc. (01/19/99)

O. U S WEST Interprise America, Inc. (CO 03/24/95); amended name from !nterprise America, Inc. 04/27/95; d/b/a !nterprise America, Inc.

1. U S WEST Interprise America of Virginia, Inc. (VA 03/19/99)

P. U S WEST IP Holdings, Inc. (DE 09/09/97)

Q. U S WEST Investment Management Company (CO 08/21/95)

R. U S WEST Long Distance, Inc. (CO 11/14/95); amended name from U S WEST Communications Systems Corporation 07/12/96; amended name from U S WEST Solutions Corporation 12/21/95

S. U S WEST SPF Co. (CO 03/13/89)

T. U S WEST Transoceanic, Inc. (DE 01/22/99)

1. Transoceanic Operations, Inc. (DE 01/22/99)
2. U S WEST Hong Kong, L.L.C. (DE 01/22/99)
   a. U S WEST (Asia), Limited (HK 01/23/98); amended name from Acute Strategy Company Limited (pending)

U. U S WEST Y2K, Inc. (DE 06/03/98)

V. Western Re, Inc. (VT 06/03/98)

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF QWEST CORPORATION'S FILING OF RENEWED PRICE REGULATION PLAN.	)	**DOCKET NO. T-01051B-03-0454**
IN THE MATTER OF THE INVESTIGATION OF THE COST OF TELECOMMUNICATIONS ACCESS.	)	**DOCKET NO. T-00000D-00-0672**
STATE OF WASHINGTON	)	**AFFIDAVIT OF PHILIP E. GRATE**
COUNTY OF KING	) :	**SS**

Philip E. Grate, of lawful age being first duly sworn, depose and states:

1. My name is Philip E. Grate. I am State Finance Director for Qwest Corporation in Seattle, Washington. I have caused to be filed written direct testimony in Docket No. T-01051B-03-0454 and T-00000D-00-0672.

2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Further affiant sayeth not.

Philip E. Grate

SUBSCRIBED AND SWORN to before me this 12th day of May, 2004.

LORI L. WHITE
COMMISSION EXPIRES
NOTARY
PUBLIC
7-10-07
STATE OF WASHINGTON

Lori L. White
Notary Public

My Commission Expires: 7/10/07