

Summary of Cost Model Issues of Dispute

Union Exhibit 17

Issue	Union	Qwest	Staff
What percentage of Union's Cell Sites is Traffic-Sensitive?	100%	6%, according to its alternative proposed cost model	10%
What percentage of Union's Switch is Traffic-Sensitive?	100%	2%, according to its alternative proposed cost model	50%
Are Union's Modeled Investments Embedded Costs?	No, they reflect current actual prices Union pays for a forward-looking efficient network consistent with FCC TELRIC rules	Yes	Yes
Is Use of 325 Projected Cell Sites Appropriate?	Yes, it is a reasonable forward-looking assumption since 325 cell sites are projected to be operational in Union's network August 2008	Position not stated but Qwest uses 325 cell sites in its alternative proposed model	No, Union should include in the model only the 225 current actual cell sites
Are Union's projected MOU Appropriate?	Yes, assuming projected demand in Year 1 that that drives investment in Year 1 is consistent with cost causation principles, matches demand and costs, and is consistent with TELRIC principles	Position not stated Qwest but uses Union's projected MOU in its alternative proposed model	No, Union should use current demand and grow it by 2.74% per year
Is Use of Present Value Factors for MOU Appropriate?	Yes, applying a present value factor to MOU is a simple means in Union's model to get present value of revenue. It is also an appropriate way to ensure that the sum of the discounted projected revenue streams will equal the sum of the discounted projected costs over the life of the network. Mr. Anderson's approach would cause significant under-recovery of costs for Union.	Position not stated but Qwest uses Union's approach in its alternative proposed model	No, present value factors should only be applied to costs because a minute today is a minute 10 years from now.
What Depreciation Lives Should be Used?	14.5 years because it is consistent with Qwest's proposal and is consistent with the Commission's previous requirement for Qwest. It is also consistent with the composite depreciation life Union uses in the competitive industry in which it operates.	14.5 years recommend in testimony and used in alternative proposed model	14.5 years for radio and switching and 25 years for buildings and towers
Should Union Apply a Structure Sharing Factor to Account for Revenue Received From Other Carriers?	Union may be willing to use a structure sharing factor but only to the extent that it is applied in a manner similar to that used in the development of Qwest's reciprocal compensation rat. But Union does not anticipate use of such a factor to have much of an impact on its proposed rates because Union does not receive much revenue from other entities.	Yes	Yes
Should Union Reduce its Cost Estimates to Account for Costs Associated with Data and other Retail Services?	No, because Union's network is designed primarily for voice traffic, which takes precedence over data. In addition, the costs and revenues associated with data are minimal. But Union's model is capable of handling such an adjustment should the Commission require it.	Yes	Yes
Are Union's Transport Cost Assumptions for Traffic termination from Qwest Appropriate?	Yes, they are very conservative cost estimates for the amount of traffic terminated from Qwest on a T-1 basis in comparison to what NECA charges.	No, costs are not supported	No, costs aren't supported but has not made any changes to them in proposed model.