



Carol Phillips
Director – Tax Research &
Planning
1801 California # 2539
Denver, Colorado 80202

QWEST-04-08

Mr. Doug Cooley
Telecommunications Analyst
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83720

Idaho Public Utilities Co.
Office of the Sec.
RECEIVED

MAY 10 2004

Boise, Idaho

RE: 2002 Application for Broadband Equipment Credit

Dear Mr. Cooley,

Enclosed is Qwest's documentation in support of the Idaho Broadband Credit for 2002. Pursuant to our earlier discussion, I am submitting the following:

- 1) 2002 qualified investment, reported by general broadband, dedicated line, and inter-office facilities - (Tab A)
- 2) 2002 retirements of 2001 investment, along with an explanation of how the retirements were calculated - (Tab B)
- 3) Explanation of how we differentiate 2002 from 2001 investment and insure that no equipment is reported more than once - (Tab C)
- 4) Statement concerning changes in capitalization policy and processes - (Tab D)
- 5) Certification Statement – (Tab E)

Total investment for 2002, net of retirements, is shown below.

General Broadband Services:	\$ 3,809,761
Dedicated Line Services	2,856,502
Inter-Office Facilities	<u>1,382,893</u>
Total 2002 investment	\$ 8,049,156
Retirements of 2001 investment	<u>37,363</u>
2002 Net Investment	\$ <u>8,011,793</u>

I am enclosing 4 copies, 2 in binders and the other 2 un-bound. I am not able to put the investment data on 8 1/2 x 11 paper, but I have copied it to a disc. Hopefully this will help you. Please contact me on 303-308-5638 with any questions on this submission.

Sincerely,

Carol Phillips

Carol Phillips

Copy to: John Souba, Qwest Corporation

General Broadband Services

OVERSIZED CHARTS

SEE CASE FILE

Dedicated Line

Services

OVERSIZED CHARTS

SEE CASE FILE

Inter Office Facilities

(IOF)

OVERSIZED CHARTS

SEE CASE FILE

Retirements related to broadband investment made in 2001 were determined by means of retirement ratios. Because investment data is provided at a summary level rather than an individual asset basis, it would be extremely time-consuming to attempt to identify retirements of individual assets. For certain types of plant accounts, it would be impossible, because tables are used in order to develop retirements.

Retirement ratios were developed taking total retirements by year and plant account as a percentage of total investment for that year and plant account. These ratios were then applied to ID broadband investment by year and plant account. The total retirements of vintage 2001 investment using this approach are \$ 37,363. Retirements of investment made in the immediately preceding year are generally less than one percent.

The method of calculating retirements described above meets the applicable provisions of the IRS code, and has been accepted by the Internal Revenue Service.

See the chart on the following page for a summary of total retirements and detail by plant account.

Qwest Corporation - Idaho Central
 Broadband Retirement Ratios - Vintage 2001
 Tax Year 2002

FRC	Investment	Retirement Ratio	Curr Yr Retires
1C	2,217	0.0000	0
4C	534,483	0.0000	0
5C	47,816	0.0000	0
45C	735,167	0.0010	730
85C	371,026	0.0000	0
157C	51,125	0.0000	0
257C	8,533,436	0.0032	27,502
357C	8,965,516	0.0010	9,131
377C	1,211,274	0.0000	0
845C	208,470	0.0000	0
852C	60,400	0.0000	0
862C	77,373	0.0000	0
Total	20,798,303		37,363

Source: 2002 Acufile Book Basis Report for Idaho Central for Vintage 2001.

- Note: (1) Retirement Ratio calculated at Vintage Plant Account Level
 (2) Calculation = Total Book Basis of Retirements for Vintage Plant Account divided by Total Book Basis of Investment for Vintage Plant Account.

When a job is first set up or opened, the planner establishes a targeted date on the CPD (Common Planning Document) for the job to be in-service and submits it to the budget tracking system (JETS). Material/equipment purchases with a FRC ending in a 7 or 9 code for the job are processed through a system called BVAPP (Billing Verification Accounts Payable Processing). If work is being performed at multiple locations (address IDs), a unique BVAPP number is assigned to each location. The date associated with the job (not the BVAPP number) is the date used for tracking purposes in JETS. Outside plant FRC codes are processed through the NECTAS system.

A job remains open until all BVAPPs are complete. The completion date for the last BVAPP then becomes the Actual in Service date for the job in JETS.

When a BVAPP is complete, the address/FRC associated with that BVAPP is turned up in service individually, even though the entire job is not complete. For purposes of Idaho Broadband reporting, we include all FRCs/locations in the year that they are turned up in service. Therefore, you will see some jobs that are reported in multiple years. However, when we pull the data for each year we will by-pass or filter out any address that was previously reported for a job. This insures that we do not duplicate any addresses that have been previously reported for a job.

There have been no changes to the Field Reporting Manual or Capitalization Policy since the time that these documents were submitted for the 2001 filing. In addition, the descriptions of the billing and costing processes that were included in Tab E of the 2001 filing are still accurate.

Certification Statement

Qwest Corporation

I, Carol Phillips, have read the applicable statutes for broadband investment income tax credit and I believe that the subject broadband equipment qualifies for the tax credit under Idaho Code Sec. 63-3029.

Date: April 30, 2004

Signature: Carol Phillips

Title: Dir. Tax Research & Planning